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ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

Hearings
REPORT OF PROCEEDINGS
= [Saskatchewan]

Vol. 2, Pt. 1-2

DEC 13 1937 - Dec. 14, 1937
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Official Reporters

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REGINA, SASKATCHEWAN, DECEMBER 13th., 1936

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ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

REGINA, SASKATCHEWAN, DECEMBER 13, 1937.

The Royal Commission appointed to re-examine the economic and financial basis of Confederation and the distribution of legislative powers in the light of the economic and social developments of the last seventy years, met at the Legislative Buildings, Regina, Saskatchewan, on Monday, December 13, 1937, at 10.30 a.m.

PRESENT:

HON. CHIEF JUSTICE NEWTON W. ROWELL....CHAIRMAN

DR. JOSEPH SIROIS)	
JOHN W. DAFOE, Esq.)	Commissioners
DR. ROBERT ALEXANDER MacKAY)	
PROFESSOR HENRY FORBES ANGUS)	

Commission Counsel:

Louis S. St. Laurent, Esq. K.C.

Secretariat:

Alex. Skelton, Esq.	Secretary
R. M. Fowler, Esq.	Legal Secretary
Wilfrid Eggleston, Esq.	Assistant to the Secretary
Adjutor Savard, Esq.	Secrétaire Français

FOR THE GOVERNMENT OF SASKATCHEWAN:

Hon. W. J. Patterson	Premier
Hon. T. C. Davis	Attorney General
F. C. Cronkite, K.C.	Dean, Law College
J. R. Taylor, C.A.	Supt. of Revenue
T. A. Lax, F.C.A.	Provincial Auditor
N.C. Byers, Esq.	Chairman, Debt Adjustment Board
Prof. J. Mitchell	University of Saskatchewan
A. S. Sibbald, K.C.	Debt Adjustment Board
S. Quigg, K.C.	Attorney General's Dept., Regina
G. W. Myers, Esq.	Chairman, Local Government Board
Mayor A. C. Ellison	Municipal Affairs
S. P. Grosch, K.C.	
L. Jacobs, C.F.A.	

FOR THE SASKATCHEWAN ASSOCIATION OF RURAL MUNICIPALITIES:

F. J. McDaniel, K. C.	Counsel
J. J. McGurran, Esq.	Secretary
E. G. Hingley, Esq.	

FOR THE SASKATCHEWAN POOL ELEVATORS:

R. H. Milliken, Esq.	Solicitor.
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Legislative Buildings,
Regina, Saskatchewan,
December 13, 1937.

MORNING SESSION

The Commission met at 10.30 a.m.

THE CHAIRMAN: All right, Mr. Davis.

HON. MR. DAVIS: Mr. Chairman, Mr. Patterson has given me a suggested programme for the hearings in the four days remaining, which I think will meet the wishes of the Commission. We are now at page 105 of the brief. I had suggested that it might be necessary to go back and refer to some material between pages 71 and 75, but that is not necessary because we can deal with these matters as we go on from page 105. I had in mind trying to get to page 203 at the close of to-day's session.

THE CHAIRMAN: That was just a suggestion, Mr. Davis; It is for you to decide.

HON. MR. DAVIS: I think that fits in approximately with your agenda.

The other day, Mr. Chairman, I filed as an exhibit a statement showing the approximate wheat held by each municipality in the province in the month of November for the year 1937. I have had similar maps prepared for each of the years back to 1918. There is only one copy of each available as they have to be hand-made, but I thought if I filed them, they would be of interest to the Commission.

THE CHAIRMAN: They would be very interesting.

EXHIBIT NO. 51: Maps showing approximate amount of wheat held in Saskatchewan municipalities from 1918 onwards, for the month of November.

FINANCIAL AND ECONOMIC CONDITIONS

AFFECTING TAXATION

HON. MR. DAVIS: Turning now to page 105 of the brief I just want to read the paragraph that appears under "D", and to make certain comments on it. I presume it is the do-

sire that I go ahead and complete this morning the Financial Section, and then hear the Association of Rural Municipalities. I quote from page 105 of the brief:

"The financial and economic conditions affecting taxation in Saskatchewan may be considered under the following sub-headings, namely:--

(1) Burden of taxation in general: and

(2) Financial and economic conditions affecting particular types of taxation."

That is indicated, Mr. Chairman, by an examination of this particular section on Provincial Taxation, where we compare the taxation imposed in this province with the taxation imposed in the other provinces. As I said at the outset we feel that our financial condition as a province, from the standpoint of provincial finances, could be rectified, and we feel that it is our prime duty so to do before calling on the treasury of Canada to give us any assistance.

THE CHAIRMAN: Mr. Davis, have you considered what the result would be on the general average, if you went back, say, to 1925 and took the average of taxation? I am under the impression--I may be wrong in that respect--that the percentage of income absorbed by provincial and municipal taxation in the province of Saskatchewan during those years was less than the percentage in a number of the other provinces. In other words, to get a basis of comparison one needs to take the good years with the bad years.

HON. MR. DAVIS: Yes, that might be true, but if you will look at the chart which we read the other day, showing the taxation imposed, you will see that a large number, in fact practically all of the new taxes have come in since 1925, and largely since 1931; and when we deal with the projected future, we take the average year and base our



estimate on the average production in an average year.

I continue:

Burden of Taxation

"It is submitted that the Province of Saskatchewan has to all intents and purposes exhausted all the avenues of taxation reasonably open to it, and that the burden of taxation upon the people of the province has now reached the extreme limit. These conclusions are based upon the following considerations, namely:--

- (1) The province has adopted practically all the forms of taxation existing in the other provinces, with the exception of a tax upon wages which exists in one or two provinces."

There is a wage tax in the province of Manitoba and in the province of British Columbia for, while it may be called a special income tax, it is in actuality a wage tax, but we have not got that tax here for the reason that such a tax, in view of the small number of people engaged in industry in the province of Saskatchewan and working for wages and salary, would not realize any appreciable return in this province, and moreover it would be inequitable as it would mean the imposition of a double burden on a small group of our citizens, namely, the wage earners of our province. The large majority of our people are engaged in agriculture, and only a very small number engaged in industry, working for wages and salaries, and it would be inequitable to impose on top of the Education Tax, a wage tax, and therefore we decided as a government not to do it. It would bring in no appreciable amount of revenue. Now I read the second paragraph:

- "(2) The province has recently imposed an education

"tax for the taxation of the consumers and users of tangible personal property. No other province has a similar enactment. In the Bank of Canada Report on the financial position of Saskatchewan (1937) it was suggested that the province should itself make a contribution towards providing additional funds."

You will note that it is stressed in the Bank of Canada Report that if we are going to look to the treasury of Canada for help we should ourselves try to provide additional funds, and we felt that in approaching this Commission and Canada we should be in a position to say that we had done ~~everything~~ within our power to remedy our own financial ills within the province of Saskatchewan.

"This form of tax was recommended by the Jacoby Commission (1936). The proceeds of the tax are used for the support of education. It is ~~expected~~ to yield in the neighborhood of \$2,000,000 annually."

That is, under existing conditions, that tax should realize \$2,000,000 annually. The Jacoby Commission recommended both a wage tax and a sales tax, but we felt that the imposition of these two taxes ~~would~~ bear most heavily on the ~~samg~~ group, and therefore we decided that only one tax should be imposed, and we decided that the most equitable tax was the Education Tax. We were also guided in imposing that tax by the fact that we were allocating the tax for educational purposes, and the land now constitutes the sole base of taxation for educational purposes. For educational purposes in the province the school districts are restricted to a land tax. Now in the rural sections the farmer has been unable to pay his taxes, and therefore the revenue of the school district has completely dried up.

The only source of revenue was the land, and the farmer could not pay his taxes; he could provide nothing in the way of taxation. We felt therefore that we should do something to increase the grant from the province and provide the school districts some cash to carry on with, and while it might not be as large as is required, the only way to get it was through a tax of this kind. We have therefore increased the school grants in the province by one half, or restored them to the level they were at in 1932 when the grants were decreased by the then government.

In addition to that, the teachers of the province hold notes running over a number of years, particularly the rural teachers in the southern part of the province, and totalling over one million dollars, representing their salaries for the last four or five years--salaries which they never received and for which they were obliged to take the notes of the school districts. The teachers were boarded about, here and there, and their board and lodging was the only thing they got. They got nothing in cash, but they did receive these notes totalling one million dollars. We felt it was the duty of the government to step in and help these teachers, and therefore from this tax there will be utilized each year for four years approximately one quarter of a million dollars a year to pay off these notes. The teacher with a note for one thousand dollars will receive, or we shall attempt to pay \$250 this year, \$250 next year, \$250 the next year, then a final payment of \$250 to clear off the note. That will come from this tax.

THE CHAIRMAN: Mr. Davis, without going into detail would you say in just a word what is the basis of the present provincial grant for education?

HON. MR. DAVIS: The schools receive \$1.50 per day per

room.

THE CHAIRMAN: \$1.50 per day?

HON. MR. DAVIS: \$1.50 per day per room. It was \$1.00, but we increased it to \$1.50. In the secondary schools the increase has not been so great, but we have made an increase there too.

Another idea we had in mind, and I mentioned this the other day in discussing the Municipal section, was that the municipalities were stressing the fact that the tax upon land was getting to be oppressive, and so by this tax we have attempted to broaden the base of taxation. The more we can pay in school grants from a revenue source of this kind, the more revenue the school district gets from outside the school district, and the more they can reduce the school tax upon land. One of the objectives in imposing this tax was to broaden the base of taxation and to relieve the land.

THE CHAIRMAN: Mr. Davis, if you were back in normal times, would not the school districts be able to carry their own burden with the grant you have been giving them in the past?

HON. MR. DAVIS: Yes, some of them could, but in this province, there is a great disparity between school districts. Some are in sections where there is good land and a high assessment; others are in districts where the land is poor; and we have therefore adopted this means of equalizing the burden of school taxation as between the unfortunate district and the good district.

THE CHAIRMAN: In your grants of \$1.50 per day per room, do you distinguish between the good districts and the poorer districts?

HON. MR. DAVIS: Not yet, but ultimately I think some-

thing along those lines will have to be done, that there will have to be some equilization as between the two.

MR. ST. LAURENT: To get it in percentages, according to my calculation the provincial grant to schools works out at 3.08 cents per capita.

HON. MR. DAVIS: That is roughly \$3,000,000. I do not think the school grants total that much. That is perhaps the total contribution of the province towards education.

MR. ST. LAURENT: Yes, including the universities?

HON. MR. DAVIS: Yes.

MR. ST. LAURENT: And with the increase projected into the trial budget, it would bring it up to about 4.80 per capita?

HON. MR. DAVIS: 4.80.

It will be remembered that Manitoba went into a lot of detail in respect to the tax burden in comparison with net production. We have done that to some extent, but we are not stressing it, and the Table that we give on page 106 showing the combined municipal and provincial tax receipts for 1933 and 1934 together with the value of the net production, ^{which} we submit with some misgiving in the light of the fact that it covers only two years, and those rather difficult years. I will read the paragraph preceding the Table:

"(3) In an attempt to indicate the burden of taxation in this province as compared with the other provinces, Table I is inserted, showing the combined tax load of the several provinces for the years 1933 and 1934. In parallel columns appears the estimated net production of the respective provinces for the same years. This table is submitted with some misgiving

"especially since it covers only two years."

I do not think it is necessary to dwell on page 106 as my remarks have already covered that, and I come now to page 107.

MR. ST. LAURENT: With respect to page 107, the Secretariat gives us this information relating to the years 1925, 1926, and 1927, that Saskatchewan taxation then amounted to 7.5 per cent, 7.6 per cent and 6.8 per cent respectively, as compared with a corresponding figure for Manitoba of 11.8 per cent, 10.6 per cent and 11 per cent; and for British Columbia 9.2 per cent, 8.5 per cent, and 8.7 per cent respectively for the same years; and for Ontario 9.4 per cent, 9.3 per cent, and 9.1 per cent.

HON. MR. DAVIS: That is quite likely. In those years the debt of this province was less than half the debt of Alberta, and was approximately one-third the debt of Manitoba. We had the lowest per capita debt of any province in Canada, and naturally we had a low per capita rate of taxation as well.

MR. ST. LAURENT: And following 1931 there has been a very substantial increase in the rate of taxation in this province?

HON. MR. DAVIS: Correct. I have already given a statement showing the imposition of taxes since 1931.

MR. ST. LAURENT: And there have not so far been any good years to which this new rate of taxation would apply?

HON. MR. DAVIS: No, but we have estimated them in the projected budget. There we have taken the average year and the average price and based our projected budget upon that, indicating what we think we may expect in a normal year from these same sources of taxation. I do not know whether any attempt was made to include investment income, as against

ordinary income, in those figures, whether there was any split in that.

MR. ST. LAURENT: No, I think it is the net income of the province as shown by the statistical tables.

HON. MR. DAVIS: But there is nothing to indicate what the investment income of these other provinces may be.

MR. ST. LAURENT: No breakdown of investment income and production income.

HON. MR. DAVIS: Then page 108 deal with Succession Duties, and indicates the reasons why very little revenue can be realized in this province from that source. There are four reasons given there, which clearly indicate why we get very little from that source. At the top of page 109 we give certain examples of these succession duties applied to estates, for the year 1921. That seems a long way back to go, but that is the only year for which these statistics were readily available. That year, I might say, was above the average, and therefore would be a fair one to take.

It will be noted by the Table at the top of page 109 that of 2508 estates received by the Succession Duties Branch in 1921, over half of them belonged to people dying with estates under \$5,000; and 2,381 estates, out of a total of 2508 estates were under \$50,000. There were two estates that exceeded \$800,000 and four that exceeded \$1,000,000. But these large estates are not estates of people dying within this province. For instance, within the last two weeks we have had two wills probated in this province, one for \$15,000,000 and the other for \$20,000,000, English estates, one holding only a quarter section of land in this province worth \$2,500, and the other a section of land; but those estates would be disclosed in this province as \$15,000,000 and \$20,000,000.

Then on page 110 of the brief we deal with the Income

Tax and give the reasons why difficulties are experienced by the province in the matter of income tax collections.

COMMISSIONER ANGUS: How high are the income tax exemptions?

HON. MR. DAVIS: The exemption is \$700 for single men, and \$1,450 for married people. Everything above \$700 in the case of single people is taxed, and everything above \$1,450 for married people.

There are some interesting figures on page 111, which I do not think it is necessary for me to read, but I would just stress, Mr. Chairman, that page 111 be read carefully. It deals with the classification of persons assessed for income tax, that is provincial income tax, in 1935, and Table III at the top of page 111 shows that there were 7067 single persons paying income tax in this province in 1935, and of that number 5,802 were in receipt of an income of \$1,500 or less, and 104 single people in this province had an income of \$3,000 or more. There were only four single people with an income between \$10,000 and \$15,000, three with an income between \$15,000 and \$20,000 and two with an income between \$20,000 and \$25,000.

THE CHAIRMAN: Those in the higher brackets, at least, could afford to get married.

HON. MR. DAVIS: Yes, they should, and perhaps could support more than one wife.

Then coming to the married persons, the total number was 6,042 married people with a taxable income over and above the \$1,450 exemption which I mentioned, and of that 6,042, 4,621 have an income of \$3,000 or less; 316 have incomes of \$10,000 or more, and it is interesting to note that there is only one person in the province with an income between \$15,000 and \$20,000, nobody with an income between \$20,000 and \$25,000, and only one married person

with an income between \$25000 and \$30,000.

COMMISSIONER MacKAY: Are these the figures of your own provincial returns, or they Dominion income tax returns?

HON. MR. DAVIS: They are our own provincial returns.

COMMISSIONER MacKAY: You have your own separate income tax collection system?

HON. MR. DAVIS: We have our own separate income tax collection system.

MR. ST. LAURENT: Are the allowances practically the same as under the Dominion Income tax, in calculating net taxable income?

HON. MR. PATTERSON: The allowances for expenses are practically on a par with the Dominion.

HON. MR. DAVIS: Yes, our Act is largely copied from the Dominion Income Tax Act.

MR. ST. LAURENT: So that net income here means practically the same as it would under the Dominion Act?

HON. MR. PATTERSON: Net income, yes.

THE CHAIRMAN: I suppose very few, if any, farmers come under your Act?

HON. MR. DAVIS: Just on that point, I have some very interesting figures that I got within the last few days. In the year 1926 the farmers of this province actually sold off their farms wheat and received in actual cash for it \$285,000,000, or to be exact \$285,271,000, and they paid income tax to the Dominion of \$934,000, or 1.14 per capita, the lowest of any part of Canada. In Manitoba the per capita contribution was 5.89. Alberta 2.41, and as I have said, in Saskatchewan 1.14. I want to draw certain conclusions in a moment from those figures.

In 1927 the farmers of this province sold wheat off their farms and actually received in cash for it

\$220,000,000, and the per capita contribution was 1.81-- a total of \$689,000 of income tax contributed by the people of the province of Saskatchewan. In 1928 the farmers of this province sold wheat--this is exclusive of oats, barley, and everything else, just wheat alone--to the amount of \$221,000,000, and the income tax collected by the Dominion for the whole province was \$804,000, or .93 per cent. In 1929 our farmers sold \$217,000,000 worth of wheat, and the income tax collected was \$945,000, or 1.07 per cent, as against 4.84 per cent in Manitoba and 2.06 per cent in Alberta. I think that indicates the terrific income of the people of this province, the gross income, but when it comes to net income the figures indicate that the income goes somewhere else in Canada; it is not taxable here.

THE CHAIRMAN: That income, if it is the proceeds of the sale of the wheat, must go to the farmers of the province?

HON. MR. DAVIS: Yes, it goes originally to the farmers of the province, but I think these figures indicate that the income tax paid would be on their net income, after operating expenses and carrying charges and things of that kind.

THE CHAIRMAN: As a matter of fact, do many farmers in any part of Canada pay income tax?

HON. MR. DAVIS: I do not know what the situation is in the province of Ontario, but I presume there must be some farmers or retired farmers paying income tax.

THE CHAIRMAN: Generally speaking, the income tax is not very effective so far as the farming population is concerned. Does the Income Tax Branch at Ottawa press for returns from the farmers?

HON. MR. DAVIS: I think so. They have got a very

efficient system and know pretty well the affairs of every individual in this province. Even in the good years the number of farmers in this province who would be assessable for income tax was very small. In the province of Ontario, they pay 47 per cent of the total income tax of Canada, and our contention is, and it always has been, that the result of this \$285,000,000 production of wheat is not reflected in the income tax of Saskatchewan but is reflected in the income tax of Ontario because the great portion of it flows out of this province down to eastern Canada, involving railway charges and interest payments, and the result is that it is reflected in the income tax figures of eastern Canada; their figures are not exclusively based on what is produced in their own province.

COMMISSIONER MacKAY: Have you any idea whether the number of farmers paying income tax to this province is about the same as the number paying income tax to the Dominion? Are your returns on a par with those of the Dominion?

HON. MR. DAVIS: I could not tell you that.

HON. MR. PATTERSON: The number of farmers paying income tax is very small in both cases. This Table III shows 13,000 persons paying income tax in the province, and my recollection is that about 22,000 or 23,000 returns are filed in our income tax office. That would indicate that there are not many people who escape, and of that 22,000 or 23,000 returns that are filed, only 13,000 are assessable.

THE CHAIRMAN: What percentage of that number would be farmers?

HON. MR. PATTERSON: I could not tell you that without

having it checked up.

HON. MR. DAVIS: Mr. Bing, who was formerly with the income tax branch at Ottawa, can perhaps tell the Commission that.

MR. GERALD A. BING: Mr. Chairman, the number of farmers paying income tax in Saskatchewan in 1932 was practically nil. We have a certain number of farmers classified as income tax payers but the income on which their taxation is based does not come from their farming operations. There are some farmers who have an investment income, and they are classified as farmers by reason of the fact that that is their occupation, but the income on which they are taxed is really investment income. I think I am safe in saying that since 1932, when the provincial income tax started, there has been practically none of our farmers who has paid income tax on his income from farming. We have a great number who have filed returns, but when you look at the Dominion returns and you see that in 1933 only 32 farmers in Saskatchewan paid Dominion income tax, and in 1936 only 96 paid Dominion income tax, they would not be the slightest use in the province going out after every farmer for an income tax return.

HON. MR. DAVIS: And that is particularly true since 1929 because the farmer has had virtually no income since 1929.

THE CHAIRMAN: That just confirms the impression I had that very few farmers pay income tax.

MR. BING: In the days prior to 1929 I think there was a goodly number of farmers paying income tax. In the early days when the Dominion income tax started in 1917, I was with the Dominion Income Tax Branch then, and we had

a very large department for farmers' returns. There was a considerable amount collected in the early days from 1917 to 1925 by the Dominion government for income tax from farmers, but since that day, their returns have dropped off, and they have gone on transferring more and more people into the non-taxable column. Since 1925 farm income has decreased so much as to make it practically useless to get returns from the farmers.

THE CHAIRMAN: And that is true all over Canada?

MR. BING: I think that is true all over Canada and the Bureau of Statistics returns show that. I think that in 1933 only 600 odd farmers in the Dominion paid income tax.

HON. MR. DAVIS: The Secretariat might make a note that the Department of Trade and Commerce at Ottawa, through the Bureau of Statistics, issues an annual booklet examining the income tax returns of each province. I think that might be of interest to the Commission. I think the figures for 1934 were given us at the last Dominion-Provincial conference, indicating the whole problem. For instance, so far as corporations are concerned, the income tax collected from corporations in Saskatchewan in 1934 was \$911,000, whereas in Manitoba they paid \$7,800,000, and in the province of Alberta \$8,500,000; but in this province they paid only \$911,000. The total assessable income in the province of Manitoba for 1934 was \$37,000,000, Alberta \$35,000,000, and Saskatchewan \$18,000,000. That indicates the difficulties of this province in comparison with those of the two adjacent provinces, Manitoba and Alberta. I do not think there is any province in Canada where the income is more equally divided than it is in the province of Saskatchewan. It means that when you start to impose

taxation you cannot pursue the policy of soaking the rich, because there is no such thing in the province of Saskatchewan. The consequence is that you have to spread your taxation over all the people with low incomes because there are no other people in the province to tax.

MR. ST. LAURENT: Have you ever considered the possibility of soaking the farmers? Has the possibility of a tax based on farm production in good years ever been considered?

HON. MR. DAVIS: I think the farmer is soaked enough with the tariff, and that is a tax. Nobody is soaked more than the farmer in connection with that tax, for the benefit of other parts of Canada.

MR. ST. LAURENT: You have not considered imposing a tax for provincial purposes which would reach the farmer in good years for production when wheat went higher than its usual price level?

HON. MR. DAVIS: That is a very difficult thing to do. But when we come to the section of the brief dealing with crop insurance, if the principle is adopted of insuring the production of grain, that would be a tax on the farmer in good times to tide over the lean years.

MR. ST. LAURENT: To tide over the lean years?

HON. MR. DAVIS: Yes.

COMMISSIONER MacKAY: It has nothing to do with government revenues?

HON. MR. DAVIS: No.

COMMISSIONER MacKAY: It would be simply to bring about an equalization over the years?

HON. MR. DAVIS: Yes, and that would reflect itself in the government returns because then the farmer in bad times would have his crop insurance and the state would

not have to step in and finance his relief.

It is interesting to note the paragraph that follows Table III which reads:

"With reference to the figures appearing in Table III it will be noted that only 34 persons enjoyed net incomes of \$10,000.00 or more in 1935. Had the combined total incomes of these persons been confiscated the yield would have been only \$441,790.81. A confiscation of the amounts in excess of statutory deductions would have yielded \$383,847.31."

That is, if the incomes of all those with a net income of \$10,000 or more had been taken by the province, it would have resulted in only \$441,000, and the amount we would have realized in excess of statutory deductions would have been only \$380,000, which shows the impossibility of getting any large amount of revenue from income tax in this province, and we feel that the large amount of income tax paid in the east really comes from the west.

I have no comment to make now on page 112, and I have nothing to urge at the moment with respect to Railway Taxation, which is dealt with on page 113, but page 114 gives a table showing the total of Railway Taxes in Canada from 1909 to 1935, as compared with the taxes collected in Saskatchewan during the same period. Take as an example the last year, 1935, when the taxes collected in all the provinces on railways amounted to \$9,072,259.15. In that year the railway taxes collected in Saskatchewan amounted, \$423,000. Now if the total taxation had been distributed on a basis of population we would have received at least \$1,000,000. We have the second largest railway mileage in Canada, secondly only to that of Ontario.

THE CHAIRMAN: What is your suggestion in reference to railway taxation?

HON. MR. DAVIS: I do not presume that we can go back and interfere with the original charter.

THE CHAIRMAN: No, you cannot change that.

HON. MR. DAVIS: But Canada, as a matter of national policy has imposed this burden on Saskatchewan and Alberta, and it is a handicap under which we suffer, and that should be taken into account in connection with any equalization that may be done under a Grants Commission, or something of that kind, and I think that is the only place it could be done.

THE CHAIRMAN: You said on Saturday, having regard to equality of treatment of the Canadian National Railway System with the Canadian Pacific Railway, that you collected only the same taxes relatively from the Canadian National as from the Canadian Pacific. I am just raising this query, whether that is a sound principle on which to go? Whether there is any sound reason why in the province of Saskatchewan the Canadian National Railway should not be taxed on the same basis on which it is in fact taxed in the other provinces of Canada. You suffer a constitutional disability as to the one railway. I realize, of course, that the net result would only be that under existing conditions it would only add to the deficits of the Canadian National Railway, but for the moment I do not just see why the province of Saskatchewan should not receive the same relative amount of taxation from the Canadian National Railway as the other provinces receive.

HON. MR. DAVIS: At first blush it looks to us that it would be inequitable and unfair that one railway should

be saddled with a greater burden than the other.

COMMISSIONER ANGUS: Could not one say that the Canadian Pacific subsidy took, in part, the form of this exemption from taxation, and that the railways that have made up the Canadian National Railway System got their assistance in other forms, and that if you give them exemption as well, they are getting double help?

HON. MR. DAVIS: I would not think that that would naturally follow. The Canadian Pacific Railway received a subsidy, a land subsidy it is true, at the expense of this province and the Canadian National Railway has received no subsidy other than the making up of the deficits of the Canadian National by all the people of Canada. It is hardly a subsidy to the railway that would reflect itself very materially in the railway company's returns. The question might be reviewed again, but personally I feel it would be more or less inequitable to impose taxation on the one and not on the other, although it might be proper.

COMMISSIONER DAFOE: It might be a useful lever.

HON. MR. DAVIS: Yes, it might be.

MR. ST. LAURENT: Did I understand you to say that on a per capita basis it would have amounted to about \$1,000,000?

HON. MR. DAVIS: Yes, taking our population as about one-tenth of the whole population, or 900,000 as against 11,000,000 people. It would mean, if my calculation is right, \$744,000, about double the amount shown here.

MR. ST. LAURENT: Hardly \$744,000 against \$423,000.

HON. MR. DAVIS: The taxes collected in all provinces

in 1935 amounted to \$9,000,000, and in 1928, \$11,000,000, and in 1928 the taxes collected in Saskatchewan amounted to \$454,000. That was the hang-over from the preceding year. The amount we actually get is \$425,000, which means \$25,000 municipal taxation for local improvement purposes, leaving a balance of only \$400,000. Now \$9,000,000 was the total railway taxes collected in all the provinces in 1935. There are roughly ten millions of people in Canada, and we have a population of 928,000, or about one-tenth, or \$800,000. When we come to the earnings of the railway you will see what a large portion of its earnings come from the province of Saskatchewan.

Then on page 115 we deal with the Allocation of Taxation:

Allocation of Taxation

"It is submitted that the present system of allocation of the subjects of taxation as between the Dominion and the Provinces has worked adversely to the interests of Saskatchewan, and that there should be a complete re-allocation with a view to a more equitable distribution of the proceeds derived from taxation generally."

THE CHAIRMAN: On that point, which we must face because it is a very important question, what do you say, or perhaps you deal with it more specifically later on, do you? If not, I would like you to be good enough to tell us now what your suggestion is as to the re-allocation of taxation.

HON. MR. DAVIS: Our suggestion is that the Succession Duties be taken over by the Dominion from the provinces; secondly, that the corporation tax be taken over by the Dominion; and thirdly, that the income tax be taken from the provinces and given to the Dominion. That is, that

the Dominion take over these three sources of taxation. Then we suggest that those taxes having been received into the federal treasury, then naturally if all the provinces give up income tax the federal government would increase its income tax level. This combination of all provincial income taxes would go into the federal treasury, to be distributed on the basis of population to the provinces, and we have certain figures to show what would happen in this regard. We show the same thing with respect to the Corporation Tax and Succession Duties.

THE CHAIRMAN: You mean redistribute it as distinct from the question of subsidy?

HON. MR. DAVIS: Yes. Either that it be redistributed on a per capita basis across Canada, or in the alternative, if left in the federal treasury, then by virtue of a Grants Commission or subsidy, conditions should be equalized. We feel there has to be some equalization, with the subsidies on a per capita basis all the way across Canada. There has to be an equalization factor, and that is why we suggest a Grants Commission. In order that it may function properly, we feel that the revenues of the federal treasury should be augmented, so that they will have sources of revenue which they can use for all the people of Canada for purposes of equalization. Instead of nine pots on the stove, you have one big bucket held by the Dominion, and the Dominion can use that bucket to see that the level of water in each pot is the same.

COMMISSIONER MacKAY: What pot? The provincial pot?

HON. MR. DAVIS: We are providing a pot for them now.

COMMISSIONER MacKAY: The pot of the province or the pot of the individual people in the province?

HON. MR. DAVIS: No, I am speaking of provincial taxes.

I am speaking of the problem of the provinces and their taxation.

COMMISSIONER MacKAY: It seems to me that is a very important point, whether it is equalizing the income of the provinces or equalizing the income of the people.

HON. MR. DAVIS: I am dealing with equalizing the income of the provinces. I am dealing first with the finances of the provinces. When we get through that we deal with the people, and we deal with equalization with respect to the people. But I am dealing now with provincial finances, with the equalization of them.

COMMISSIONER ANGUS: Would you not meet this difficulty? The provinces of Canada, in which the income is unequally distributed, in which there are a great many rich and a great many poor, are provinces from which the income tax can be collected; but a province that is in a healthier condition, with comparatively no rich and no poor, with even incomes throughout the province, is a province from which the income tax could not be collected; and if you take the income tax and spread it out all over, the province that is under healthier conditions, with the even incomes, from which you cannot get back income tax, would be getting a big per capita benefit, while the province with unhealthy conditions, with big incomes and very low incomes and poverty, would be paying for it.

HON. MR. DAVIS: That is the very reason for our suggestion because in a province like Saskatchewan we say that our people cannot pay income tax because their income, which is in the gross large, reflects itself in the income of other provinces where conditions are unhealthy, where you have a great many rich and a great many poor.

COMMISSIONER ANGUS: I am afraid I have not made my-

self clear. Suppose you have two provinces of equal wealth, one with an income evenly distributed over many of its citizens, and the other with an income unevenly distributed. Under your proposal, would not the province with unequal income be made to contribute to the revenues of the other?

HON. MR. DAVIS: No, you would not need it. If you had provinces of equal wealth we would not need that equalizing process. If instead of having Ontario with a large number of rich and a large number of poor, and Saskatchewan with its income equally distributed, we had an equalization all over the country, we would not have to bring about an equalization from any outside source.

COMMISSIONER ANGUS: But if you set up this system of equalization it would make one province help the other although they were, by hypothesis equally rich.

HON. MR. DAVIS: Yes, it might, but unfortunately there is no such condition in Canada. We are dealing with actualities. You may have that situation in Ontario, but there is no other province with an amount of wealth equal to, say, that province, where the reverse condition would apply.

THE CHAIRMAN: I think it would be leaving a wrong impression, Mr. Davis, to assume that the amount of wealth in Ontario, or Toronto or Montreal, is wealth largely derived from Saskatchewan or any other province. I should say that the wealth that has been accumulated in recent years in Toronto has been almost wholly from mining, at least since 1930. I would imagine that some who have speculated profitably on the stock market and sold out before the recent slump, and secondly the development there has been in mining in the province, have been principally responsible for the accumulation of wealth.

HON. MR. DAVIS: That may be, but if it had not been that seven of the provinces contribute to those two, Ontario and Quebec, they might not have been the two great provinces they have become under the fiscal policy that has been pursued in Canada. That fiscal policy is bound to reflect itself in those two provinces, and therefore, if we contribute to their wealth, we think there should be some equalizing factor in dealing with the various provinces.

THE CHAIRMAN: My only point was that it is wrong to assume that the wealth as represented by income tax returns in Toronto, say, for the sake of illustration, is due mainly to the results of a protective tariff, because certainly in recent years the result has been due to mining.

HON. MR. DAVIS: I agree, but we do urge that the benefits of the tariff are reflected very considerably in the income of those two major provinces, and we do contend that, for example, Toronto and Montreal, the great financial centres of Canada, if dependent on Ontario and Quebec, would not be the cities they are to-day. They are only thus great because there are seven other provinces in Canada contributing their share in addition to the efforts of those two provinces themselves to build them up as great financial centres.

Then on page 116 we deal with Succession Duties, and on page 118 I would just draw attention to the figures there which show what we would receive if Succession Duties had been collected by the Dominion and distributed on a population basis. They show that Saskatchewan would have received in 1916, \$322,000, and the figures are also given for 1921, 1926 and 1934.

THE CHAIRMAN: Is there any reason why 1916 was chosen?

HON. MR. DAVIS: No, we are just taking five-year periods.

COMMISSIONER ANGUS: The amount collected would be at dissimilar rates in the different provinces?

HON. MR. DAVIS: At the moment, yes, but one great reason why we are urging this is that it would prevent the overlapping of taxation, it would simplify collection, and the tax would be more equitable under federal administration. It would cut out this overlapping, the paying of duties in several provinces on the one estate. In this connection I would refer to page 116, which it is important to read, although I am not going to take time to read it now.

THE CHAIRMAN: You say that the Succession Duties could be more satisfactorily collected by the Dominion government. Just tell us what you have in mind.

HON. MR. DAVIS: We have in mind the overlapping of taxation, so that there shall not be taxation in reference to the same estate in more than one province; it would eliminate dual taxation. Then I think that if the duties were collected by one agency from all over Canada, they would likely get better returns.

THE CHAIRMAN: To what extent is there reciprocity between the different provinces so far as Succession Duties are concerned?

MR. S. QUIGG: If I might be allowed to answer that, it is largely non-existent as a result of the action taken by Ontario, and I think Alberta, in abolishing the reciprocal arrangements that were entered into. As far as Saskatchewan is concerned we have reciprocity, I think, only with Great Britain and one other country.

We have no reciprocal arrangements with any other country. I think the reason, Mr. Chairman, is that most provinces want to get as much revenue as they can, and naturally they do not want to adopt any particular basis which might result in cutting that revenue in half. For example, in Saskatchewan we have very extreme climatic conditions, and as a result a lot of wealthy men establish domicile either on the coast or in some more equable climate, and when they die, we cannot apply the principle of domicile, and accordingly we lose a large amount of Succession duties. That is probably the reason why Saskatchewan is not willing to apply the reciprocal basis of allowance with the other provinces. That is not true of Ontario and the east to the same extent. The net result is that the provinces are all very unwilling to apply this reciprocal basis.

THE CHAIRMAN: Thank you.

COMMISSIONER DIFOE: I have seen hypothetical calculations which show that under certain circumstances the whole estate would be taken up by the Succession duties of various provinces.

HON. MR. DAVIS: I have seen them too.

COMMISSIONER DIFOE: There was such a calculation in the Financial Post within the last two or three months.

MR. QUIGG: Like our income tax schedules in this province, in regard to the situs of a company's stocks, as you are probably aware the situs is decided by the registration, which is in most cases at the head office, and most of these companies are centralized in the eastern provinces. We have very few companies with their head office in Saskatchewan, and the result is that we lose the duties in respect of these stocks in so far as situs is concerned. The net result is that Ontario and Quebec

get the great majority of duties so far as these stocks are concerned.

THE CHAIRMAN: If the owner of the stock is domiciled here, you get your duty?

MR. QUIGG: Yes, but I think in spite of that, Ontario and Quebec apply both principles, whereas we apply only one.

COMMISSIONER SIROIS: Some corporations have transferred their head office to different provinces.

MR. QUIGG: Yes.

COMMISSIONER SIROIS: Even the banks have in some cases transferred their head office to a different province.

MR. QUIGG: Yes, but I am referring to companies apart from banks.

COMMISSIONER SIROIS: Some corporations have also transferred their offices to another province.

MR. QUIGG: I do not think there are many here.

COMMISSIONER SIROIS: There are in other places.

MR. QUIGG: There are a few, but I think it is the exception. We do not collect very much revenue on the basis of situs.

THE CHAIRMAN: I think you would have to put this transfer of Succession duties and Income tax from the province to the Dominion on some other basis than immediate benefit; rather on some principle of national policy, if you hope to get the concurrence of the other provinces to such a proposal; and, of course, it ~~cannot~~ become effective unless it is unanimous and the law is applied to all the provinces.

If I rightly understand you, Mr. Davis, you put it on two grounds: first, that the wealth in the central provinces is derived from business extending over the

whole of Canada, and that, therefore, if that wealth is to be taxed it should be taxed by the central authority, so that the central authority, in dealing with the finances of Canada, can administer them to the benefit of the whole of Canada.

HON. MR. DAVIS: Yes, that is correct.

THE CHAIRMAN: Secondly, you say that in the actual administration of Succession duties, difficulties arise because of questions of property situated in the different provinces, because of overlapping and duplication of taxation, and that the law would be more equitable and more efficiently administered if it were a Dominion law applicable to all the provinces alike, rather than a series of separate provincial laws.

And thirdly, you think that on the whole, a larger amount of Succession duties would be collected if collected under a general Dominion system, instead of under several different provincial systems. Am I right?

HON. MR. DAVIS: Yes, you are right in everything. When you read these sections you will see they lead to the conclusions you have just stated, and for the reasons you have just stated.

Then page 120 deals with Income Tax, and I shall just draw your attention to the third paragraph on page 121:

"It has been urged in some quarters that the invasion of the income tax field by the Dominion was a violation of a "gentleman's agreement" to the effect that a clear field should be left to the provinces in the imposition of direct taxes. It is accordingly suggested that the Dominion should abandon the income tax in favour of the provinces."

That suggestion has been made, and no doubt will be made

repeatedly.

"To this suggestion the government of Saskatchewan is unqualifiedly opposed."

Whereas we feel that if that were done, it would increase many times the income tax collections in the major provinces and would create a greater inequality than presently exists.

The last paragraph on page 121 contains a quotation from the Hon. Mr. Rogers, the Federal Minister of Labour, with which we agree. He says:

"The invasion of this field of taxation (i.e. income) by the Dominion was fortuitous but fortunate. It enables the Dominion to act as a redistributing agency through which some portion of the profits accruing through the protective tariff can be utilized either for direct subsidies to the provinces which have suffered most through the effects of the tariff or for the maintenance of common standards of social services throughout the entire Dominion."

I could not begin to express more clearly or more concisely the point we are trying to make than the Hon. Mr. Rogers does in that paragraph.

Then on page 122 we deal with the Corporation Tax.

THE CHAIRMAN: And you put the reasons for the Dominion exclusively collecting the income tax on practically the same grounds as for collecting the Succession Duties?

HON. MR. DAVIS: Yes, our reasons appear on page 120, and you have stated them pretty well.

THE CHAIRMAN: Thank you.

HON. MR. DAVIS: It is not necessary for me to go through page 122, dealing with the Corporation tax. Our reasons are the same, particularly with respect to the

difficulties of administration. At the present time these corporations have to make multitudinous returns to ten different bodies; to the Dominion and nine provinces. It could be done in one place infinitely better and more equitably, because under the present system the difficulty in bringing about equity when you have nine or ten sources of taxation is obvious. Page 123 deals with the gasoline tax and I shall quote only the last sentence:

"Probably the administration of the tax would be simplified if the province enjoyed powers of indirect taxation."

THE CHAIRMAN: Just tell us what you have in mind.

HON. MR. DAVIS: At the present time, our tax, to be valid, must be collected from the ultimate consumer, and therefore to make it, strictly speaking, a valid tax the individual selling the gasoline to the consumer must collect the tax. If we had to do that all over the province it would be a very costly affair. But by virtue of an arrangement, a gentleman's agreement, it is done more or less in an indirect way by the outlets collecting from the individual and handing it in to us.

(page 1605 follows)

In the final analysis, it is a direct tax.
 I donot want to suggest that it is not, though there might be some question as to the validity of the tax. It is however a direct tax.

THE CHAIRMAN: As at present administered, is it quite efficient?

HON. MR. DAVIS: Yes, very efficient.

THE CHAIRMAN: And you do not suggest any method that would be more efficient than the present?

HON. MR. DAVIS: No, unless the Dominion collected it.

THE CHAIRMAN: You are not suggesting, are you, that the Dominion should take over the gasoline tax?

HON. MR. PATTERSON: If it could be collected indirectly the collection could be made more efficient and less expensive -- that is to say, if the tax were levied at the refineries and the wholesale distributors.

THE CHAIRMAN: Tax the gasoline vendor?

HON. MR. PATTERSON: Yes, and let him pass it along as an indirect tax

THE CHAIRMAN: Why would that be more efficient and less expensive? As the system is now working out, the gasoline vendor remits the tax to you. He charges it in the gasoline, but he does remit the amount to you, does he not?

HON. MR. PATTERSON: The Imperial agent in the country, for example, collects the tax from individual purchasers. Every invoice must show the tax as a separate item. Then he in turn remits to his company and the company settles with us. The method that we follow is probably getting as close as possible to an indirect form of taxation; but the companies, of course, might refuse to follow that method. So far they have been

willing to do it, but they might force us to go back and collect from the individual vendors.

THE CHAIRMAN: Then it would be very difficult for you.

HON. MR. PATTERSON: Yes.

THE CHAIRMAN: I am only speaking of it as it is now administered.

HON. MR. PATTERSON: It is operating almost indirectly.

THE CHAIRMAN: What occurs to me is that, as it is actually operated, it is about as economical and efficient as you could expect a gasoline tax to be.

HON. MR. PATTERSON: Yes, so long as it is imposed as a direct tax.

THE CHAIRMAN: Does it make any difference to the government in collecting, either in the amount you receive or in the expense involved in the collection, whether you get it from the Imperial Oil or the British American Company, as you now do, or whether you impose a direct tax upon them?

HON. MR. PATTERSON: I believe that the collection would be simplified if we could impose the tax on the Imperial Oil Company's production, wholesale, at the base. After all, the returns that come from individual vendors have to be checked. Suppose the Imperial Oil Company sold a million dollars worth; we could impose a straight tax on that sale without following the distribution through its various outlets, and that would still further simplify the matter and make for greater efficiency.

THE CHAIRMAN: Do you have to engage inspectors to check the different vendors?

HON. MR. PATTERSON: Yes. Mr. Bing is the member of the Provincial Audit staff whose particular duty it is to audit gasoline tax collections. He will tell you

something of the method.

MR. GERALD A. BING: Perhaps I might explain that. We have at the present time over 90 collectors of gasoline tax in the province of Saskatchewan. These consist of certain major oil companies, certain larger distributors and also, for convenience, a number of large retail dealers. The retail dealers then have to collect from the smaller dealers who get their supplies of gasoline from them and pay the tax at the time of its collection. The amount of checking that is necessary is enormous. There is a large problem involved in the checking of sales of gasoline in the province on the retail basis. This has been tried out in the United States to the south of us and every province has now discontinued collecting the tax on retail sales. They all collect from the source, that is, from the refiner and the distributor, and there is no doubt about it that such a method would simplify the collection of the tax and make it more efficient.

MR. ST. LAURENT: The figures I have from the Secretariat as to commissions and expenditures for 1935-36 are as follows: commissions, one-half per cent, amounting to \$41,743, and additional cost of departmental administration, amounting to \$30,347, making a total of \$72,090, or the equivalent of 4.1 per cent. of the total of \$1,749,059. Are these figures correct?

MR. BING: Yes, I imagine so.

MR. ST. LAURENT: Then the 4.1 per cent of the amount collected would be the expense involved in doing this checking and in the commissions to the 90 collectors throughout the province.

MR. BING: Yes, except that in the past year considerably more work has been done in connection with

the collection of the gasoline tax; and I think you will find that the administrative cost is going to be a good deal higher from now on.

MR. ST. LAURENT: The administration has been doing more work since 1935-36?

MR. BING: Yes; that is to say, there has been more checking and more auditing in connection with the gasoline tax with a view to trying as far as possible to reduce the number of evasions.

COMMISSIONER ANGUS: Is the administrative cost affected by the system of exemptions for farmers and so on?

MR. BING: I think the figures that your Counsel has just quoted do not include the cost of making refunds.

COMMISSIONER ANGUS: That is what I was wondering, because they would have to go on in any case under any system.

COMMISSIONER MacKAY: What proportion would be refunded?

HON. MR. DAVIS: You will find the figures at page 91.

THE CHAIRMAN: The percentage would appear to vary a good deal from year to year.

HON. MR. PATTERSON: There is a reason for that. In times when crops are good and prices satisfactory the farmers use a great deal more gasoline in their tractors than in hard times, when they are inclined to use distillate, which is not taxed and therefore does not reveal itself in the gasoline tax figures.

COMMISSIONER DAFOE: Is the method of distributing gasoline in the province so regularized that an indirect tax applied on the basis of the Dominion sales tax would not increase the ultimate cost? As we know, the Dominion

sales tax of eight per cent at the source very often represents ten, twelve or fifteen per cent when it gets to the final consumer, by reason of the principle of turn-over.

HON. MR. PATTERSON: I do not think that would apply in the case of gasoline. The tax in the province would be imposed on the last man handling the commodity before it went out for retail.

HON. MR. DAVIS: It would not be cumulative?

THE CHAIRMAN: Then you could not impose it on the refinery; it would have to be on the local vendor-- each local vendor throughout the province.

HON. MR. PATTERSON: In the province of Saskatchewan, the major portion of the gasoline used comes from three or four large companies, but there are some independent refiners and also some independent importers. But the number with whom you would have to deal would be very small compared to the thousands of individual vendors. The local vendor gets his supplies from one of these large companies, with the exception of the supply that comes from certain small refiners and independent importers. The total number of people the province would have to deal with would be very few compared with the hundreds of local dealers with whom, theoretically, we have to deal now.

THE CHAIRMAN: Would not Dr. Dafoe's suggestion apply? Suppose you imposed the tax on the wholesaler; it then forms a part of his cost. In fixing his retail price, might he not add a percentage of the tax in selling the commodity to the retailer?

HON. MR. PATTERSON: I do not think that would apply in the case of gasoline for, as I understand it, the local retail price is fixed pretty much by the refiner.

I believe he sets the price at which the product is to be retailed.

COMMISSIONER MacKAY: Do you think that the gasoline tax is financially as heavy as the people will stand for?

HON. MR. PATTERSON: The present tax represents a very substantial percentage of the total value of the product and experience in the United States has shown that as you increase it beyond a certain point the law of diminishing returns begins to operate.

THE CHAIRMAN: What is it now?

HON. MR. PATTERSON: Seven cents in Saskatchewan.

THE CHAIRMAN: How does the total amount of the gasoline tax compare with the amount you spend annually on highway improvements?

HON. MR. PATTERSON: The amount collected from the gasoline tax and from motor licences represents roughly the amount expended on highway maintenance, if you include interest on that portion of the public debt which is borrowed to build roads and bridges, although that is not absolutely a true statement of the facts. One year it will be above and one year below. But if you take it over a term of years, probably the expenditure on roads exceeds the revenues from these two sources, including interest on capital invested.

HON. MR. DAVIS: The section which we are discussing concludes at page 126, and perhaps I had better read the rest of it:

" F. Enlargement of Provincial Powers of Taxation.

The Education Tax Act, 1937, was passed by the Legislature of Saskatchewan in order to assist in defraying the cost of education in the province and promises to be quite effectual for that purpose. It cannot be gainsaid, however, that there are serious

"administrative difficulties in connection with taxation of this character, the main objection being that the government is obliged to resort to the device of having merchants and business people throughout the province act as collection agents. If the taxation could be imposed upon the sale transaction, as in the case of the Dominion Sales Tax, then these administrative difficulties would be overcome. Moreover, the tax could then be more economically and efficiently administered. The same difficulty is experienced in the collection of other taxes."

Then we quote an amendment introduced in the House of Commons by the Hon. Charles Dunning for the purpose. It was decided and agreed upon at an Interprovincial Conference that an amendment should be made to the British North America Act, and it was introduced but was defeated in the Senate for the reasons stated by the Right Hon. Arthur Meighen, Leader of the Senate. At the top of page 125 we suggest that the objection raised can be met. Mr. Meighen said that the giving of this right might mean conferring upon the provinces the power to impose tariffs as against one another. Naturally we would not want to do any such thing, but we do suggest that the difficulty can be overcome.

THE CHAIRMAN: This is important, Mr. Davis. You might read it.

HON. MR. DAVIS:

"It is submitted, therefore, that it is highly desirable that the provincial powers of taxation be enlarged, so as to include a limited power of indirect taxation along the lines mentioned by the Hon. Charles Dunning in the budget speech delivered by him in the

"House of Commons on the 1st day of May, 1936.

The proposal then made was that Section 92 of the British North America Act should be amended by adding thereto as clause 2a, the following:

'2a. Indirect taxation within the province in respect of:--

- (1) Retail sales, other than of all alcoholic beverages, spirits, malt, tobacco, cigarettes, and cigars which are subject to customs and excise duty or tax in Canada or other than of all goods and articles for delivery without the province;
- (2) The patronage of hotels, restaurants and places of amusement or entertainment; in order to the raising of a revenue for provincial purposes."

That was the clause that was proposed, and it was brought forward as the result of an Interprovincial Conference at which this province was represented. We agreed at that time, in common with the other provinces, that that amendment should be made to the British North America Act. Alcoholic liquors and tobaccos were exempted because of the fact that they were already bearing a heavy burden of Dominion taxation. That was why the suggestion was made that they should be exempted from provincial taxation. Certain provinces had other taxes, while other cities, Montreal for example, imposed local taxes.

" When this proposal came before the Senate for consideration it was criticised by the Right Hon. Arthur Meighen in the following terms, namely:

" But Honourable members undoubtedly realize that there never could have been a suggestion of

"Canada unless the power to tax by customs and excise were taken from the provinces and reposed in the Dominion. That is the essence of Confederation..... The power of indirect taxation had to be taken from the provinces; otherwise they could secure by methods of indirect taxation the same effects as if they were able to impose customs and excise taxes.' Senate debates --1936--pp.316-17.)

'In a British Columbia case an oil tax which had to be paid by the seller on the transaction was held to be indirect and therefore ultra vires of the province. But when the province taxed the purchaser, the consumer of the goods in personam, that was held to be direct and intra vires. Unless one is careful to see the significance of everything that is done, one is likely to consider this a very fine distinction. It might be said that if we allow the provinces to tax the consumer we may as well allow them to tax the seller, to tax the transaction itself. If Honourable members will follow me, I think they will agree there is a very clear distinction. When you tax the consumer, you are taxing the people in the province, and taxing them without discrimination, but when you tax the transaction and thus interfere with processes of trade, you can tax the outsider and exempt the people of the province.' Senate Debates 1936--p.317.)"

Strictly speaking, that could be done, and it is possible that the proposed amendment was open to such a construction. But we go on to say:

" The Government of Saskatchewan does not believe that the danger so apprehended is a real one. It is suggested that an unfortunate twist has been given to the expression "direct taxation" by the

"Courts. So long as the other provisions of the British North America Act make it abundantly clear that the dominion has exclusive jurisdiction over customs and excise there need be no anxiety in extending the powers of the province as suggested."

THE CHAIRMAN: Is there not a difficulty there, Mr. Davis? In Manitoba it was brought to our attention by the Chamber of Commerce and the Board of Trade of the City of Winnipeg that there was a tendency in certain provinces to discriminate against the products of other provinces, and the Board of Trade in their brief urged very strongly that the provision of the British North America Act in that respect should be strengthened so as to make it clear that goods produced in one province should have the freest possible access to any other province and that no discriminatory tax of any kind should operate against the free interchange of goods between provinces. One would have to be very careful, in the granting of powers of indirect taxation, not to leave it possible for any province to impose a discriminatory tax of that sort.

HON. MR. DAVIS: We agree with that, and we suggest that if necessary we should go further in the British North America Act and make it clear that there shall be no discrimination as between provinces. That is essential if we are not to become nine separate independent states. Perhaps it might be necessary to revise this clause and add something to make it clear that this power if given the provinces should not be used for the purpose of prohibiting the free importation of goods from one province into another, or giving the producer of goods in the province imposing the tax an advantage over the producers of another province.

COMMISSIONER DAFOE: It might be difficult to do that.

HON. MR. DAVIS: It might.

COMMISSIONER DAFOE: You will recall that in the Senate an amendment was offered -- I do not recall by whom, but no doubt it was after consultation with the government -- which purported to make it impossible for this use to be made of an indirect tax. Mr. Meighen demonstrated, very conclusively to my way of thinking at any rate, that it would not have that effect. It indicates the extreme difficulty of applying an indirect tax which could not be used for the creation of a customs barrier within the provinces.

HON. MR. DAVIS: Of course, great care would have to be exercised, but we agree that nothing should be done which would permit any province to discriminate in this way against others. We have enough tariff in Canada now without erecting tariff barriers between the provinces:

" At this point another suggestion for cooperation with the Dominion might be made. In the case of such a provincial levy as the Saskatchewan Education Tax, it is suggested that the amount of the provincial import might be added to the Dominion Sales Tax, the Dominion, in effect, acting as a collecting agency."

That suggestion was made at an Interprovincial Conference. The tax was six per cent and was subsequently increased to eight per cent. When it was six per cent the province suggested that it should be increased to eight per cent, and that the two per cent increase

collected by the Dominion should be redistributed back among the provinces on a per capita basis. The province of Quebec at that time intimated that they were in agreement with that.

COMMISSIONER DAFOE: Would it not be better to have an additional one or two per cent above the Dominion level for provincial use?

HON. MR. DAVIS: Yes. That is what we suggested. There is one fact to be noted here. The tax as we have it has to be collected from the merchants, who must be licensed, and he has to collect from the individual. It makes a great deal of work for the merchant and causes inconvenience to the individual. At the same time it is a visible tax and people know that they are paying the tax when they pay it. There is always a tendency, so long as people are ignorant and are not aware that they are paying taxes, for governments to spend more than they otherwise would. When people pay visible taxes, when they know that they are being taxed, they know that the things they are demanding they have to pay for themselves.

THE CHAIRMAN: That is a sound view, Mr. Davis.

HON. MR. DAVIS: I come now to the conclusion:

" The foregoing observations with respect to provincial taxation in general, and the forms of taxation existing in Saskatchewan in particular, clearly indicate that the province is severely handicapped in the following respects, namely:

1. Constitutional difficulties have existed and continue to exist in connection with the imposition of various forms of taxation."

I have gone through that carefully, showing where these forms of taxation are susceptible to attack.

" 2. It is particularly difficult to reach by taxation outside companies deriving revenues from business transactions with Saskatchewan customers, where such companies are not "carrying on business" as that expression is usually understood."

Where companies have not any place of business in the province they send their travellers here and actually do business within the province but the transaction is completed outside the province and therefore they are not subject to taxation.

" 3. Shares of companies can only be taxed where they can be effectively dealt with, that is to say, at the place of registration, and this is, in the great majority of cases, outside Saskatchewan;

4. Provincial taxation can only be collected within the boundaries of the province, and such taxation, even if regularly imposed, cannot be recovered elsewhere."

That is a very great difficulty.

5. Owing to the constitutional limitations imposed upon the provinces, frequent attacks are made upon taxing enactments, which attacks are quite often successful, thereby making such enactments difficult of enforcement, and adding to the cost of administration."

We have pretty well dealt with that already.

" 6. The expenses incidental to the collection of such forms of taxation as the gasoline tax and the education tax, are considerably higher than in the case of other forms of taxation, for the reason that the tax is imposed upon consumers, and the government has to rely upon vendors to act as collection agents."

The cost of the actual collection is not very great in comparison with the amount of revenue derived from either of these two sources.

" 7. The province of Saskatchewan cannot tax railway companies to the same extent as these companies are taxable in other provinces, for the reason that there exists a charter exemption from taxation in favour of the Canadian Pacific Railway Company; and

8. The province has practically exhausted all the avenues of taxation reasonably available to it, and the people here are now taxed to the extreme limit."

I do not believe that you can find any place in Canada where the people pay more taxes than in the province of Saskatchewan.

With a view to overcoming the difficulties mentioned the province of Saskatchewan proposes that the following remedies should be applied, namely:

1. That the Dominion Government be entrusted with the administration of succession duties, income tax, and corporation taxation, with the understanding that the proceeds of these forms of taxation be distributed amongst the provinces on the basis of population, or upon some other satisfactory basis;

2. As an alternative in the case of corporations, that some method should be devised to enable the provinces to reach companies incorporated under Dominion charter, and other outside companies, by way of taxation, so as to oblige such companies to make proper contributions to provincial revenues."

I do not know just how that could be done; perhaps it might be through a corporation tax.

" 3. That consideration should be given to the province with reference to the handicap suffered in connection with the imposition of taxes on railways;

4. That the provincial powers of taxation be enlarged so as to include a limited power of indirect taxation; and

5. That the utmost cooperation between Dominion and province in the collection of taxes should be encouraged."

This brings us to the end of the taxation section, and at this point I wish to emphasize the fact that we are not asking the rest of Canada to give us anything in the form of charity; we are not asking for any donation. All we want is equity. We simply ask the other provinces to read this brief carefully and to apply to it their reason, common sense and business acumen, and to decide its merits upon that basis. We do not ask them to base their decision upon any sentimental grounds at all. All we want them to do is to read the brief in the light of reason and to do so on the assumption that the provinces must stand together. That is essential if we are to have a united Canada. Certain national policies operate to the advantage of certain provinces -- no one can deny that -- and to the disadvantage of others, and there must be some equalizing with a view to serving the interests of the nation as a whole. Let me stress the fact that we do not want anything to which we are not entitled. We are asking the major provinces in particular to read the brief carefully, and we know that the men who administer the affairs of those

provinces are endowed with sound business judgment. We believe that if they bring those qualities to the consideration of the facts which we have set forth in this brief, they will feel warranted in making considerable concessions in the interests of Canada as a whole.

I presume, Mr. Chairman, that at this point I should stop before proceeding to Part V so as to allow the rural municipalities to make their representations. The brief on behalf of the Saskatchewan Association of Rural Municipalities will be presented by Mr. B.J. McDaniel, K.C., Solicitor for the Association.

THE CHAIRMAN: You are presenting this brief, Mr. McDaniel, on behalf of the rural municipalities?

Mr. McDANIEL: Yes my lord.

THE CHAIRMAN: And Mr. McGurran appears with you as Secretary?

MR. McDANIEL: Yes. He is usually referred to as the Association.

THE CHAIRMAN: We shall be glad to hear you, Mr. McDaniel.

MR. B.J.McDANIEL, K.C., (Solicitor for the Saskatchewan Association of Rural Municipalities): My lord, in appearing before this Tribunal, the Association of Rural Municipalities feel that I should give expression to the opinion that the Constitution under which we have been acting, while there may be some defects in its details, is organically sound. If you will consider the condition with which governmental units in this province have had to deal over a period of five years, and survey the public with whom you come in contact, I think you will agree that our machinery of government has functioned properly, and functioned for the well-being of our people.

When you consider the load that has been carried by governmental units, it is wonderful to think that the Constitution has stood up at all. The Association of Rural Municipalities was established in 1907. It is made up of 302 rural municipalities in the province. We represent approximately 70 per cent of the entire population of Saskatchewan.

The organization was incorporated by Act of Parliament in 1932, and the first paragraph of the brief deals to some extent with its history. Before going on to that, however, I should like to refer to some matters that have developed during the argument here and the presentation of the very excellent brief submitted by the Honourable, the Attorney General -- matters which are not covered in their brief and which I am asked to refer to.

First is the question of larger municipal units. That matter came very much to the fore in 1933 or 1934 and was before our Convention. We hold an annual Convention at which every municipality is represented. Every municipality sends in two voting delegates, and usually there are a large number of men who are interested in the municipal life of the province, who attend as visiting delegates, take part in the discussions, and represent the point of view of the municipal men of Saskatchewan.

The matter in question was referred to the Secretary and he was instructed to make inquiries in the adjoining state of North Dakota as to the cost of municipal operations. That inquiry was duly carried out, and, disregarding those services which our municipalities do not render to the people, we found as a result of the inquiry that the cost of services we render, or rather

the cost of similar services rendered the people of North Dakota, was considerably more than 100 per cent higher than in this province. So that the agitation for larger municipal units received rather a severe setback as a result of that report.

COMMISSIONER MacKAY: Are you referring to comparative costs of the same type of services?

MR. McDANIEL: I am speaking of the cost of administration of the same services.

THE CHAIRMAN: What are the units in North Dakota?

MR. McDANIEL: They have counties and townships, largely similar to those in Ontario.

THE CHAIRMAN: Would it follow that because of having a county and a municipal organization it cost North Dakota more for administration than it cost you, it would not be beneficial for you to enlarge your municipal units? I do not see how one necessarily follows from the other.

MR. McDANIEL: In the state of North Dakota, the activities of the people and the topographical area are pretty much the same as they are in Saskatchewan. The people follow the same occupations. They are wholly farmers down there, the same as we are here, and we have suggested to the government that provision be made for the consolidation of the existing municipal units. If anything can be saved it is a matter of local self-government. If two or three municipalities believe that anything can be saved the ratepayers by amalgamation they have under the law to-day the right to amalgamate; and if there is anything in the argument it will be taken advantage of in due course.

At the time of the investigation the Convention was not satisfied that anything was to be saved then;

but if the future discloses that a saving can be effected, the Association will be quite prepared to adopt it and act upon it.

There is the other matter referred to by Mr. Davis, namely, the right to tax land. That is not covered in our brief but year in and year out we have passed resolutions unanimously at our Convention urging the provincial government to withdraw from the field of taxation so far as real estate is concerned. We have asked them year after year to repeal the Public Revenue Tax and leave the field of real estate assessment and taxation entirely to the municipal unit. I am glad to note that the Attorney General suggests that something along this line is being contemplated.

We had hoped that long before this the Public Revenue Tax would have been repealed and that the right to assess real estate would have been left entirely to the municipalities, and I am glad to note the suggestion that has been made by the Attorney General in that regard.

There is one other point to which I should like to refer, and I believe it was noted by you gentlemen in the presentation already made. It is this, that in so far as our operations are concerned we have always treated as a very obnoxious principle in municipal administration the building up of capital expenditure on comforts and services for the present population by mortgaging the future generations of the province.

We have so far operated entirely on revenue account, though possibly this statement should be qualified to some extent. But the figures that are before you show that we have practically no debenture indebtedness.

If localities require good roads or better roads, we use for that purpose what funds we have,

the residue of our income, and I think that is a sound principle of operation. It may be the only bright side of the picture that is being painted before you so far as Saskatchewan is concerned and therefore I might be allowed to read one or two paragraphs by way of illustration. I will get through them as quickly as I can.

" This brief has been prepared and is presented by the Saskatchewan Association of Rural Municipalities, an organization comprising the Three Hundred and Two Rural Municipalities of the province of Saskatchewan, and the recommendations contained herein are similar in principle to recommendations passed at Annual Conventions of the Association and at meetings of their Executive. The Saskatchewan Association of Rural Municipalities was organized in the year 1907 and was incorporated by a special Act of the Saskatchewan Legislature on March 11, 1932. The Association acts as a service bureau to member Municipalities, and by lectures, discussions, and other educational methods helps to a better understanding and administration of existing laws and statutes affecting the interests of rural municipalities. It also endeavours to interpret provincial and federal legislation, and takes the necessary action to bring about amendment or repeal of such legislation where such repeal is considered necessary or advisable. The Association also performs many other functions on behalf of the Rural Municipalities of the province of Saskatchewan.

The Association feels that the matters submitted to your inquiry are primarily matters having to do with the relationship between the Dominion and the province. In this province at least, all municipalities, both urban and rural, are creatures of the Provincial

"Legislature. Their functions, duties and responsibilities are set and prescribed by the Provincial Legislature. We, at times, feel that we are a rather important unit of our governmental system and at other times that we are simply in existence for the purpose of performing tasks and assuming responsibilities which no self-respecting unit of government could undertake.

We, therefore, approach this tribunal with some deference, feeling that probably this is not the tribunal to which we should go to find a remedy for many of the ills that exist in so far as Municipal Government in the province is concerned. But we think that there are certain phases of the question which could, with a great deal of benefit to the province and Dominion at large, be laid before you from our point of view. We are, of course, the unit of government which is in closest contact with the senior governments. We are within speaking distance of the governed and have an intimate knowledge of his grievances. We are, therefore, in a preferred position by reason of that fact to survey the workings of our governmental machinery in so far as the same contribute to the happiness, well-being and prosperity of the governed. While perhaps not definitely within the scope of your inquiry, we are, however, part of the machinery of government in this dominion and as the success or failure of that governmental machine depends upon the harmonious meshing of all units in the machine we feel that at this time certain representations should be made on behalf of the municipal units of the government."

We then go on to deal with our position in so far as education is concerned.

" In the years of our prosperity, real or alleged, the municipal governments of this province functioned quite satisfactorily."

We had practically no difficulties at all. We were performing the tasks for which we were organized, and performing them well; and had not the depression or the years of crop failure overtaken us, there would probably have been no necessity for us to make representations to this Commission or to any other body in the Dominion.

" They were charged with the purging out of those duties of the government which concern very closely the daily life of our people; that is, it was their duty, among many others, to provide money to defray the cost of education. They were, in this matter, of course, collectors only."

I should perhaps elaborate this somewhat. We have certain school districts set up; there may be four, five, ten or eleven school districts in a municipality. At the beginning of the year the school boards are asked to file a requisition with the municipal council, setting forth the amount of money they will require to carry on their educational operations in their school districts. That sum represents the school taxes or levies, but unfortunately there is a provision that immediately upon the filing of the requisition with the municipality and the making of the levy the relationship of debtor and creditor arises between the school district and the municipality. In other words, the municipality becomes the debtor of the school district, and under the Act, whether a dollar of that levy has been collected or not, the municipal corporation can, on the first day of April and every three months

thereafter, be sued for one-quarter of the levy.

We are in this unfortunate position to-day, that school districts in which not one dollar of school taxes has been paid can nevertheless sue the municipality and insist upon payment of their school requisition. In goodtimes there probably was a reason for this. Some municipalities may have been negligent, and accordingly a provision was inserted in the Act to insure that no municipality should hang back on payment to the school district and in that way interfere with the conduct of the schools. To meet such a situation the Act provided that immediately the school tax levy was settled the council of the municipality could approach the bank, being authorized to borrow up to 90 per cent of the school levy.

With that provision, in normal times, no difficulty arose, because the municipal council went to the bank, gave a note, and borrowed from the bank up to 90 per cent of the school levy, so that they were in a position immediately to make the distribution. But with the advent of the depression and crop failures the right to take the municipal levy to the bank and borrow up to 90 per cent does not amount to anything. You cannot, on the great majority of the school levies at the present time, procure from any of the chartered banks any advance at all.

In this connection I would refer the Commission to the table that is to be found on page 421 of the Provincial brief, and I may say in passing that we are under a deep debt of gratitude to the provincial government for having furnished you with all the factual and statistical information that is necessary in dealing with the municipal problem. You will find, by reference

to that table, that the municipalities owe a large amount of money to the school districts. I do not think that this should alarm us to any great extent, because the schools in the great majority of cases have been kept in operation and the education of the children has been attended to. But this debt has been building up.

We have a lot of debt adjustment in this province. There is no particular reason, in my mind, why that debt could not be cut down to the moneys in arrears on the school debentures, probably the amount of money that is payable to school teachers, if they are not satisfied and paid, from the education tax; because it is simply a case of taking money out of one pocket and putting it in the other.

THE CHAIRMAN: Quite so.

MR. McDANIEL: The people who are the ratepayers of the school districts are also the ratepayers of the municipalities. Eventually there will be a wiping out of the very large debt of 10 million dollars from rural municipalities to school districts.

THE CHAIRMAN: Mr. McDaniel, you said you might have half a dozen school districts within a municipality.

MR. McDANIEL: Fifteen to twenty.

THE CHAIRMAN: What body makes the requisition on the municipal council? Does each school district make its own requisition, or is there a body that makes a general requisition?

MR. McDANIEL: No; each school district makes its own requisition and files it with the secretary-treasurer; and he must levy in the school tax levy for that amount.

COMMISSIONER DAFOE: There are variations in the levy, then, within the municipalities, according to the needs of the school district.

MR. McDANIEL: According to the needs of the school district.

COMMISSIONER DAFOE: Not an equalization?

MR. McDANIEL: Some are low and some are high.

THE CHAIRMAN: Under these conditions you might have one school district making a relatively larger requisition than another.

MR. McDANIEL: Oh, yes.

THE CHAIRMAN: Do you find any difficulty in that respect?

MR. McDANIEL: Not particularly at the present time. The school districts hold a convention. In 1931 or 1932 the school districts saw it was necessary for them to cooperate with the rural municipalities insofar as it was possible to do, and today our school levies run on an average of 4 mills on the dollar. They do not vary greatly, but they seem to be getting on. If we were in a position even today to take up and pay over the requisition without this accumulation of debt from which we have been suffering, as far as education and municipal administration is concerned, they would run along quite smoothly.

COMMISSIONER ANGUS: To whom besides the school teachers do the school districts owe money?

MR. McDANIEL: To the school teachers, probably something for upkeep, probably coal, and, of course, the schools have outstanding debentures which are greatly in arrears. Some provision would have to be made to take care of the debenture issue where principal and interest are in arrears.

Now, so far as our responsibilities in regard to education are concerned, I am of the opinion that it is a matter that time and a little patience will solve. However, there is a matter with which I should like to deal and that is the matter of child protection. We have in this province what is known as a "Child Welfare Act". The provincial government has stepped into the field and has said that every child is entitled to some uniform standard of protection; that they must be properly brought up, properly housed and properly clothed. In many cases we find that parents may be ill, either physically or

morally and the situation under which the children are being brought up is not in the best interests of the children. To meet that situation judges are named under the Child Welfare Act. These judges go out and make an inquiry; and if they are satisfied that the conditions are not those under which Canadian children should be brought up they can make an order declaring that child or the whole family neglected children, and at the same time make an order against the municipality to which they belong, based upon a very arbitrary rule declaring that the municipality must pay not less than \$3.50 per week per child. That situation has become entirely too burdensome in these times. Under normal conditions we tried to carry on; but with the oncoming of the depression and crop failures it is impossible for us to meet that situation. I was in touch with a municipality a few days ago where ten families, varying from one child to seven, have been declared neglected children and thrown upon the municipality as a municipal burden at the rate of \$3.50 per week per child, \$14.00 a month. That means a lot of money. It is a law concerning which we have not been able to budget. We never levied for that; we did not expect it. It is our submission that if any unit of government has any property in the physical well-being of our people, particularly our male children, it is the federal government. You all recall that in 1914 and the years following the federal government took the stand, and rightly so, I believe, that they had the right to conscript the manpower of this dominion. It is our suggestion that the physical well-being of our children is a matter that should be wholly the concern of the federal government. We take no property in them, and we never claimed to have any property. Sometimes it is not heavy;

at other times it is very burdensome. If there was a uniform federal statute having to do with child welfare and child protection the present administrative units could be used by the federal government, and children in all parts of Canada would be entitled to the same treatment, the same upbringing, where governmental assistance was necessary. Under the present system the conditions vary in different provinces. There is no real reason for that situation. It is something that affects additional right to taxation. The Dominion has a residual right to taxation. If situations arise which must be dealt with and which were not foreseen we cannot extend our taxation powers. If we approach the provincial government and ask them for the right to extend we probably would not get it. Our taxation ability is circumscribed and definite; our liabilities and obligations are similarly usually settled and determined. With a varying responsibility such as this I am of the opinion, and I am suggesting to this commission, that the only governmental unit that could deal with that situation fairly and effectively, is the governmental unit that has the residuary right to taxation. They can in some way find the means to meet that situation.

COMMISSIONER ANGUS: Approximately how many neglected children are there in the province?

MR. McDANIEL: I do not know, but there is a large number. We find them in some of the foreign districts where the man gets into difficulties, probably in debt. When that happens he steps out to Manitoba or to eastern Canada or to the States, and leaves his wife and children unassisted.

COMMISSIONER ANGUS: By a large number do you mean a thousand.

MR. McDANIEL: Yes, there will be more than a thousand.

COMMISSIONER DAFOE: What do you do with these children; do you put them in foster homes?

MR. McDANIEL: We have a bureau of child protection, but as much as possible we endeavour to have them adopted. Some of them are carried for some considerable time.

COMMISSIONER DAFOE: In foster homes?

MR. McDANIEL: In homes of some kind. The burden from that source is one that was never really contemplated as being large or onerous, but it has become so in the last few years.

THE CHAIRMAN: Is not that due to the peculiar misfortune which has fallen upon southern Saskatchewan particularly, and is it not something that will be remedied when normal conditions return?

MR. McDANIEL: Yes, probably it will to a certain extent.

THE CHAIRMAN: You see, the care of children as such is a matter in which the local people and the local knowledge are so important that it does seem to be the natural thing for the municipality and the province to have responsibility for them.

MR. McDANIEL: I can quite see that, my Lord; in the older provinces where the families have tradition behind them that view is a very correct one. But here the people have not been living long enough side by side to be interested in one another. They are newcomers here and their first appeal is to the state. Churches in the older provinces, and probably in the older countries of Europe have met that situation. But here the government is the place to which they come. Either the provincial government or the municipal government is their first resort. As I say, municipal units of government have had to bear that load. Even in normal times it is an

indeterminate responsibility; we cannot provide for it. If we knew what it was going to be we could include it in our mill rate and collect it as ordinary expenditure. But we cannot foretell, and we never know how many of these cases are coming to us.

THE CHAIRMAN: Assuming that to be so is not that a matter between you and the province, primarily. Under section 92 of the B.N.A. Act, Subsection 7, the province has the exclusive jurisdiction over the establishment, maintenance, and management of hospitals, asylums, charities, eleemosynary institutions in and for the province other than marine hospitals. It is a local charity to meet a peculiar situation, and would it not appear that if, owing to exceptional conditions, the municipalities find themselves faced with difficulties that they are not able to surmount, should they not go to the province and the province give them the necessary relief.

MR. McDANIEL: Yes, I can see your point; but that is really the whole purpose of our presentation. Our governmental machinery, as I said at the start, has functioned very satisfactorily; even during the depression. But the weakness in the machinery, to my mind, is a lack of a clutch by which we can slip out of our ordinary responsibilities in times of stress such as we have had. If the governmental machinery of this country had a clutch as you have in a car, when the going gets hard you could slip into intermediate, and if it got still worse you could go down to low. Now, the responsibilities that came to us by reason of child protection --- and the same is true of our additional responsibilities and our relief -- are tremendous. If there had been some mechanism in our system of government by which we, at an early period, once we realized that we were in a difficult situation,

could have slipped our machinery into low, as it were, and passed that responsibility on to some of the senior governments we would not have found ourselves with a crippled and burned out machine today. I do not say that ours is beyond repair; but if it is going to be repaired and function again as a government machine then we have to get rid of the accumulated burdens that are on our shoulders by reason of having to assume these responsibilities too long. If in 1931 we could have passed the matter of relief expenditure, child welfare expenditure and these other responsibilities, particularly hospitalization and medical care, over to some other governing body we would have come through not bearing a burden beyond our capacity. There is the matter of medical care and treatment as well. In normal times we had a provision, section 332 of our Act which provides that the council of every municipality shall make due provision for the medical care and treatment and hospitalization of indigents. It has been the responsibility of the municipalities to take care of an indigent who has been a resident of the municipality for thirty days prior to his taking ill. That section was inserted in the act as a result of some happenings that took place in the early days. In those days the homesteader in a shack was often taken ill, and as he was living alone nobody knew anything about it until he was found in the summer probably dead. To cover that situation the council of the municipality was made responsible for the medical care and treatment of everybody who happened to be in indigenous circumstances. An indigent is defined under the act as a person who is without means from his

own resources to provide medical care and treatment. In normal times that applied only to the drifter, certain men who came in here in the harvest season, and the road riders who were passing through. We had very few indigents here, and the municipal responsibility for that class of man did not amount to a great deal. With the oncoming of the depression a different situation arose. When a resident of the municipality needed care he went to council, and council called in a physician, because the man had no means. If his wife was about to be confined he went to council, and council called in a physician who saw that the woman was sent to hospital and had medical attention. As times began to get worse men who had borne their proper share of the responsibility by paying their taxes and building up municipal institutions were in different circumstances. The government and the district found that they had to give assistance to these people who needed assistance at the time. These people had no money with which to furnish the care needed. That had to be provided by the municipality. Men who occupy positions of public trust and public responsibility and who are elected could not possibly take the stand that Tom Jones who had never contributed anything to the municipality to provide these services for his wife should not get assistance when needed. We did not state that we are only under statutory responsibility to the indigent, and an indigent is defined in the statute, If we had stayed with that we probably would not have built up the immense amount of debt that is now against the municipality by reason of this thing. It was impossible for any municipal council to take that attitude. They did use their funds as far as they could, and went as long as they could providing for the children of the municipality,

seeing that they were cared for, their tonsils removed and so forth. The result is the great bulk of debt has been acquired, particularly rurals, through providing that service. I believe you heard on Saturday when the urbans were presenting their brief, that there is an enormous amount of money owing to municipal urban hospitals by the rurals. Unfortunately that condition exists.

Now, with regard to these various liabilities of rural municipalities we take the stand that they have resulted by reason of a certain crisis which we have excellent authority for saying is a national responsibility. Our brief simply amounts to this: the responsibility under which we labour today, insofar as it has been increased by reason of the depression and the crop failures, both of which are national crises, should be taken off our shoulders entirely. I think the other place to which they could be taken would be the federal or national government. If we were left in the position where we had only our statutory responsibilities to perform today, with a reasonable return to prosperity, we could move under our own power. If we are expected to move and discharge these duties under our own power, we can't carry the load that is at present on our shoulders; that must be removed. That load has arisen by reason of our responsibility to the schools, that debtor and creditor relationship between the municipality and the school district, by reason of our responsibility for medical care and treatment. Remember, we are not apologizing for having supplied beyond what probably was our responsibility. But the situation was such that reasonable men could not have been expected to have stayed on their legal rights. They went ahead and furnished, insofar as they were able, medical care and treatment not only to the people who were indigent by statute, but to ratepayers who were in difficulties

and who could not get the services, had they not got them from the municipalities. I have not dealt at any great length with the addition to our load by reason of relief administration. All these things have piled up tremendous sums, which as this picture stands today, are responsibilities of the municipal council.

I do not know that I shall take up much more of your time in regard to these things, as the matter has been very ably presented by the Hon. Attorney-General. He has reviewed the municipal situation, particularly with regard to the rural, very fairly and clearly, but there is one matter that I should like to deal with before I pass on. There is the question of unemployment insurance. We heard a great deal about it at our convention. There is a strong demand for unemployment insurance; as far as our people are concerned, being largely farmers we endorse it and feel that if any system of unemployment insurance is set up it should be entirely a federal responsibility. However, there is one specific matter concerning which we have had a lot of trouble, and in connection with which we have made a great many trips down to your capital city, and that is the matter of taxation on land standing in the name of the province. In the areas originally connected with soldiers' settlement board lands this question arose. Much of this land was taken by the soldiers' settlement board for the purpose of reestablishing men who returned home in 1918, 1919 and the years following. Everything looked fine and hopeful, but a very large percentage of the men found it impossible to carry on, and as a result the land reverted to the crown. This land was bought in our municipalities from previous owners, much of which was subject to debenture issue, school taxes and telephones. But

immediately they became the property of the Crown, the Crown relying on their privilege under section 125 of the British North America Act, said, this land is not subject to municipal taxation.

THE CHAIRMAN: Does not the soldiers' settlement board pay any tax at all with respect to lands that have reverted to the Crown?

MR. McDANIEL: Yes; we have reached a settlement so far as the soldiers' settlement board is concerned. The situation was presented to Mr. Bennett, and the government of the day entered into an arrangement whereby all lands held in the right of the soldiers' settlement board are subject to all municipal and provincial taxation the same as others.

THE CHAIRMAN: That is what I understood.

MR. McDANIEL: That situation was cleared up very satisfactorily, and is working out satisfactorily. What concerns us mostly at the present time is the fact that within a reasonable period there is no doubt that the federal government, in the right of the farm land board are likely to become the owners of considerable land in this western country, by virtue of foreclosures or quit claim deeds, or something of that nature. There is also the prairie farm rehabilitation scheme under which considerable land is being vested in the crown by reason of what is being done. It is our submission that the exemption provided by section 125 should be limited to lands occupied and in use by the government of the dominion for the purposes of the dominion; that where by reason of boards or other bodies that are set up, land reverts to the Crown and becomes the property of the Crown, it never was the original intention that they should be exempt from taxes which were properly levied in some municipalities in this province. The situation was a

calamity. These soldier settlers liked to settle in little groups, and probably moved as groups, so that we had large blocks of land, by reason of that movement, revert to the Crown and they were tax exempt.

THE CHAIRMAN: You would like the same arrangement to apply to lands acquired by the Farm Loan Board by foreclosure or otherwise and the improvement plan.

MR. McDANIEL: Yes, or any land that is not in actual occupation or use by the federal government for purposes of government. I think possibly I should let Mr. McGurran answer that.

MR. J.L. MCGURRAN was called.

THE CHAIRMAN: Yes, Mr. McGurran.

MR. MCGURRAN: This was a matter of dispute for several years -- I am speaking particularly of the soldiers' settlement question. In 1934 the soldiers' settlement act was amended by the federal parliament to provide that all lands held by the directors of soldiers' settlement would be liable to taxation. But there has been a recent ruling which has destroyed the effect of that amendment. Under that ruling the law officers of the Crown maintain that it is contrary to the provisions of section 125 of the British North America act to levy an assessment against land in the name of the directors of soldiers' settlement; that the only assessment which can be properly levied is where the land is occupied by soldier settler, a civilian purchaser or a tenant under a lease agreement. That has the effect of destroying to a great extent the purpose of the amendment; because we find that at the end of the calendar year, 1936, the soldiers' settlement board of Canada had 2,531 farm properties under administration. Under the soldiers' settlement act of 1919 we find that there were 25,014 soldier settlers established on the land, and

on December 31st., 1936, after this scheme had been in operation for a number of years, there were only 10,321 returned soldiers on the land. In other words only 41 per cent of the original soldier settlers had remained on the land. There were 5,781 civil settlers in 1917, under the British family scheme. Much of this land that was obtained under the soldiers' settlement scheme has reverted to the board and has been settled by civilians who purchased it or leased it. Of the 3,000 who settled on this land under the British Settlements scheme only 1917 are in actual residence at the present time. These lands are exempt from taxation. The original purpose was all right; it applied only to the soldier settler, but through this act it has been made possible for approximately 7500 families who were not returned soldiers to settle on this land which is exempt from taxation.

THE CHAIRMAN: At the present time, Mr. McGurran, where land was originally sold to a soldier settler, which he has abandoned or surrendered, and it is now occupied by a civilian, is that exempt from municipal taxation?

MR. MCGURRAN: Under the provisions of this act it is now subject to taxation; but there is a difficulty there; many of these are tenants under agreements, and when they lease only the cultivated portion of the land, say 40 acres, that is the only portion of the farm against which the assessment can be made.

THE CHAIRMAN: Your point is, the law officers of the Crown say, as the title remains in the Crown, and it is not occupied by a tenant who can be assessed as such, then no assessment can be made lawfully.

MR. MCGURRAN: Which means, in effect, that every parcel of land which was originally taken over by the soldiers' settlement board, which is vacant today, does not come under

this amendment of 1934.

THE CHAIRMAN: Thank you.

MR. McDANIEL: I believe that is all we shall have to say with regard to that section. Now, there is the matter of state medicine to which I am asked to make some reference. We discuss that in the brief. For a number of years our annual convention has gone on record as favouring some form of state medicine. Investigations have been made; the matter has been receiving careful study by the present minister of Public Health and those associated with him. Our association feels that any system of state medicine in this province at the present time to be effective and to meet the requirements of the people of the province is impossible unless there is a grant-in-aid by the federal government. That grant would have to be substantial. The time has come in this province when the people will demand, and do demand some form of state medicine. We have tried to meet the situation by our scheme of municipal doctors; and by an amendment to the act which provides that any portion of a municipality may enter into an agreement with a hospital to provide the necessary hospitalization. This amendment has been enacted only recently. It has worked out fairly satisfactorily. The municipality is given the right to levy up to two mills for hospitalization purposes. The demand is growing all the time for some form of state medicine. It is the considered opinion of our association that any form of state medicine is impossible by the province working through the municipalities unless there is a grant-in-aid by the federal government. Some assistance will have to be given; it might be only temporary. We do not expect that the federal government would be bound forever to keep the system working; but to get it on its feet we would have to have some considerable assistance from the federal government for a period of time, at least.

I do not believe there is any doubt that state medicine will come in this province. Our local health units, consisting of hospitalization and municipal doctors have worked out so satisfactorily in relieving the people that there is even in normal times a heavy responsibility, and they are satisfied that the time will come when medicine and public health will be a state matter, and should be handled by the state. It is just as important as or more important than education. Education is a state matter and has been a state matter for a number of years. We take the stand that public health and the physical wellbeing of our people are quite as important and should be a state matter.

There is one other point to which I should like to direct the attention of the Commission. I hope I am not taking up too much of your time. The next point to which I should like to refer is crop insurance. Crop insurance takes the place in this province of unemployment insurance, which would be the major feature in some of the eastern provinces. A large percentage of our people are engaged in the growing of wheat and other grains. If we had had some form of crop insurance -- and by crop insurance I mean protection against loss of crop, not only by hail, but by drought, grasshoppers, frost, and other things that operate against the farmer in getting some return for his labour and for his investment -- it would have aided the farmers greatly. In this province we have had a municipal scheme of hail insurance, which has been a godsend to the people of this province over a period of years. We have line companies doing business here; but their premiums were exorbitant, and it was impossible for the great majority of farmers to arrange with line companies for any insurance at all, in the event of his crop being lost

through hail. We have had a municipal system, and that is working very satisfactorily. Millions of dollars are paid out to the farmers even in these difficult years. There were \$7,000,000 paid out last year. I happen to be associated with one of these where we paid out a million and a quarter dollars to farmers in this province of Saskatchewan, with only half of our people exercising their privilege. When they saw early in June that there was a drought condition and that they were not going to have any crop they had the privilege of getting out and not being charged the crop tax. They would be probably subject to the flat rate, but even after they got in and saw that there was to be no crop they would have the privilege of getting out and not even paying the flat rate of a quarter cent. That has served an excellent purpose. The demand is developing and will be more so with an important depression such as we have had and the extended periods of drought. If we had some form of insurance whereby the farmer will get something whether he loses his crop by drought, by frost, by cutworms or by any other cause, it will be a wonderful thing. If he knows he is going to find himself at the end of his year's operations with a cheque that will provide him with the necessities of life and keep him from becoming a public charge, it will mean a lot to him.

THE CHAIRMAN: What is the basis of the hail insurance?

MR. McDANIEL: Mr. HEDLEY, the secretary is here, and can tell you better than I can. They have a basic rate or what they call a flat rate, levied on all land participating in the scheme, of two cents per acre. That is the nucleus of the fund from which they operate. In addition to that there are some sections of the province which are more liable to hail than other sections. There

they have a crop rate. The crop rate is based upon the likelihood of hail happening in that particular district. Probably Mr. Hingley would tell you something concerning the operation of this scheme. He could give it to you clearer and briefer than I could put it before you.

THE CHAIRMAN: I just wanted to get the general idea. We want to finish up by one o'clock. Is there anything further on crop insurance you wish to say.

MR. McDANIEL: I think possibly Mr. Hingley should deal with the matter of crop insurance, which takes the place of unemployment insurance in the industrial provinces. If our people had some such scheme as crop insurance over the ten year period previously to 1931, when we had the first failure, they would have received something on which they could have lived, and the terrible picture that is now being painted before you by the provinces and the municipalities never would have occurred. They would have functioned through this scheme of insurance, whether or not it could continue over a period of time such as we have had. You would need a very sound scheme to stand that. I think possibly the commission would enjoy hearing Mr. Hingley on this question of crop insurance.

THE CHAIRMAN: Can he finish it in five minutes?

MR. DAVIS: Mr. Chairman, on the matter of crop insurance, we have had an expert from the federal department of agriculture working with the province for some months, possibly a year or so. He is now a member of the staff of this province. That has been his duty. He has been working on that and has prepared a statement which will be either read to or filed with the Commission when we come to that section of the brief where we deal with crop insurance. Mr. Hingley has been more concerned with hail insurance.

THE CHAIRMAN: Will you explain the operations of the hail insurance?

MR. E.G. HINGLEY was called.

MR. HINGLEY: The matter of municipal hail insurance can be placed before you in a very few brief words. The scheme started in this province in 1913, and while it has had some ups and downs, particularly in the early years when it depended only upon a flat rate of 4 cents per acre to pay its losses and found that inadequate, it is now doing very well. The amount to be levied was increased by the provision of a crop rate in addition to a flat rate which was levied upon the area that had a crop.

THE CHAIRMAN: How much was the crop rate to be?

MR. HINGLEY: Well, it varies according to the district in which the farm is situate, whether we consider it a more hazardous or a less hazardous area. This year our crop rate has varied from two cents to twenty-four cents per acre, according to the location; in an area where the losses have been fairly heavy the crop rate has varied from four cents to twenty-six cents per acre upon the area under crop.

THE CHAIRMAN: Does each municipality operate its own hail insurance plan?

MR. HINGLEY: No. There are 159 municipalities, as you were told the other day, that are in operation, and these are all collected cooperatively in the one group and that is called an association. The administration of this association is in the hands of the head office as it were, operated by a board of directors representing these 159 municipalities. The hail taxes are collected by the municipalities and turned over to the head office, and the head office pays the claims, pays all expenditures, and pays the municipalities a certain proportion for their work in connection with the levying and collecting of the hail tax. In this way you have a central organization

controlling the whole thing, making the expenditures, and a local organization levying and collecting the taxes, and one man in the head organization for distributing the money and paying the claims as they arise. In the last eighteen years, since the institution of the crop rate we have paid out millions of dollars in claims. We have been operating in this way even during the years of the depression. We have been able to carry on without calling upon anybody else to help us. That was made possible by the fact that we have put into reserve a very large amount of money in the good years; otherwise we would have been out of business in 1930.

THE CHAIRMAN: How much do you pay the farmer whose crop is hailed out, a total loss?

MR. HINGLEY: The highest that we have paid is five dollars an acre. That amount was reduced when we saw that conditions were not just operating favourably, particularly in connection with collection of taxes, to \$4.00, and that is what we are paying today for total loss. The proportion runs down to 10 per cent for partial loss. Since 1929 our collections, except in two years, have been less each year than our losses have been, and we have had to draw upon reserves to make up the difference. In one year we had to draw over \$800,000 cash out of reserves to pay claims in that particular year, and that was only made possible by our having put \$750,000 in the previous year into reserve in order to have it available.

THE CHAIRMAN: That shows sound business management
Mr. Hingley: That is the only way business and industry throughout Canada have been able to carry on, by using reserves set up in good years to meet conditions of bad years.

MR. HINGLEY: Yes; I believe our association, probably,

is to be congratulated from that standpoint. We have an annual convention, to whom reports are submitted, and they have endorsed the principle of establishing adequate reserves, if that can be done. We had set our aim at 10 per cent of the risk we carried. We thought that was the minimum we should have, and that we should build it up to that point as rapidly as possible. The largest amount of risk that we ever carried was \$40,000,000. In that year we paid out in claims \$2,400,000. Our tax that year was about \$2,000,000. That was levied upon the people. That was \$300,000 or \$400,000 less than the amount paid out in claims, the difference being drawn from reserves that had been created to make provision for that particular kind of thing. In what we call the good years -- that is the years of small losses -- we merely levy as much as the loss to go into reserves to meet bad years when they come.

COMMISSIONER ANGUS: Is insurance voluntary or obligatory.

MR. HINGLEY: It is voluntary, as far as the farmer is concerned. He is not compelled to pay tax if he does not want to. He is in; if he wants to get out he must pull out. But in many municipalities a large number of the people do pull out, and some are sorry for it afterwards.

THE CHAIRMAN: Thank you.

MR. ST. LAURENT: You are going to file a copy of the brief.

MR. McDANIEL: Yes.

MR. ST. LAURENT: It will be Exhibit 52.

MR. McDANIEL: I do not want to interfere with your programme. I was under the impression that you wanted to get along with other sections of the brief, but I have a brief here that was sent to me from the

municipality of Ontario with the urgent request that I read it to the Commission. If Mr. Davis doesn't object I could go through it in ten minutes after adjournment.

MR. DAVIS: The brief from the municipality can be filed.

THE CHAIRMAN: We cannot deal with the situation in regard to individual municipalities.

MR. McDANIEL: I took that for granted; but they have some suggestions they would like to get before the Commission.

THE CHAIRMAN: If you can do it in 10 minutes, all right.

MR. McDANIEL: Yes.

THE CHAIRMAN: With Mr. Davis' permission.

EXHIBIT NO. 52: Brief filed by
Mr. McDaniel.

THE CHAIRMAN: We shall resume at 2.30 this afternoon.

The Commission adjourned at 1.00 p.m.
until 2.30 p.m. this afternoon.

AFTERNOON SESSION

The Commission resumed at 2.30 p.m.

THE CHAIRMAN: Ten minutes, Mr. McDaniel.

MR. McDANIEL: I will not take more than that, Mr. Chairman. I wish to refer to the matter of the taxation of Crown lands. Our suggestion is of course that only those lands that are in use by the government of the Dominion should be exempt. I believe I was instructed to include in that the provincial governments as well. We submit that the exemption under the British North America Act extended to the Crown should not apply where the Crown enters into business in competition with business enterprises of a similar character.

We have for example the telephone system and the Liquor Board in the province competing with private enterprises and obtaining an unfair advantage in consequence of exemption from taxes. That suggestion therefore covers not only the federal but the provincial government as well; it refers to both federal and provincial lands.

THE CHAIRMAN: In this province neither the telephone nor the Liquor Board pays any municipal taxes?

MR. McDANIEL: No; and though there is no actual competition in the liquor business, we did at one time have some. To-day however it has practically died out. That is all I have to say with regard to the tax.

With regard to state medicine, I suggest that it is coming; and if it does come it will be necessary, for a time at least, to have assistance from the federal treasury. The same is true of some substitute for industrial insurance or employment insurance. That

would have to be assisted for a certain length of time.

I am asked also to bring to the attention of the Commission a resolution passed on many occasions at our Conventions, and that is with regard to certain phases of education, which are rather burdensome upon both the provincial and the municipal treasuries. The suggestion is made that possibly, in so far as technical education is concerned, a grant such as we had before might be continued by the federal government.

I do not think that there is much more in our own brief that I wish to refer to, except to say, as I said at the beginning, that we approach this Tribunal with a very deep sense of the efficiency of our government; and the fact that it has survived during all these years is a tribute to the system. So that in dealing with any changes that might be recommended we shall have to proceed with a certain degree of care.

Before I sit down I should like to refer to a brief that was forwarded to me by one municipality. I know that it is not the practice of this Commission to hear briefs from individual municipalities, and I am not going to trespass upon your time by reading the whole of it; but there are one or two phases of it to which I would call your attention. I have only one copy and I will file it with the Clerk, and possibly when you gentlemen have a little more time than you have at the present moment you may get an opportunity of perusing it in detail.

This particular municipality is situated well out from the centre of population. They have several schemes, one of which might bear investigation, and that is the abolition of the legislative assemblies of this

and all other provinces and the constituting of the federal Members representing their respective areas into councils, so that these Members, when they are not busily engaged at Ottawa, might carry on the affairs of their particular province in the meantime.

THE CHAIRMAN: It is a good thing we did not rule that brief out.

MR. McDANIEL: It will give you the view of the man on the street.

THE CHAIRMAN: Is that view entertained, do you think, by any considerable number of people?

MR. McDANIEL: It has its adherents in every Convention, but they have never at any time attained a majority; that is to say, this view has never become the official attitude of the Association. There are however people who come to our Conventions and advocate schemes of this kind. This municipality also suggests that education should be nationalized, that we should have a national system of bilingual schools in the province and throughout the Dominion.

It is represented that the youth who speak only one language are confined, in their hopes of employment, to occupations in those districts where they can get by with one language.

The man who wrote this is evidently a Channel Islander himself, and I will read just one brief paragraph in which he discusses the subject. He says:

" In no part of the Empire can there be found a more contended, harmonious, happy, polite and graceful people than in the Channel Islands, where it is impossible to obtain a position of any kind, however humble, unless one can speak both English and French with reasonable fluency."

It is suggested that if education were nationalized we could have, throughout the length and breadth of the country, a bilingual system which would not limit people to a certain amount of provincialism. The writer suggests that under such a system there would not be the provincialism that we have to-day; that is to say, the universities and schools would equip all our students for positions in any part of Canada, and the tendency would be to do away to a large extent with the provincialisms that exist at the present time. Teachers would be licensed and would qualify under the federal system and they could teach in Quebec or in the west or the east. But to-day our educational system here in this province is purely a Saskatchewan product and it is carried on without any regard at all for the benefits derived from the system in force in Quebec or in Ontario. A national system has been supported rather strongly, and the contention is that it should be bilingual. That is the suggestion which this writer makes.

I will not take up more of your time Mr. Chairman. I promised that I would keep within the time limit of ten minutes allotted to me and therefore I will now resume my seat. I will file this brief with the Commission.

THE CHAIRMAN: What is the name of the municipality?

MR. McDANIEL: It is the rural municipality of Mantario. I do not believe I filed a copy of my own brief as an Exhibit.

MR. ST. LAURENT: We had a copy of it marked.

THE CHAIRMAN: Thank you, Mr. McDaniel.

Are you ready to proceed now, Mr. Davis?

HON. MR. DAVIS: I will not make any comment on

the brief just submitted by Mr. McDaniel, except to observe, in the Channel Islands they do not pay taxes. That is an enviable position, particularly in the Isle of Jersey. They have nothing to do but talk, and I presume that one language is not sufficient; they need two. That, however, is only an interjection.

We come now to the top of page 127, Part V. Up to this point we have dealt largely with the relation of the federal government to the province and of the provincial government to the federal authority, having discussed the matter of taxation and questions of that kind.

Now we come to the portion of the brief dealing with what is possibly the main consideration, the welfare of the people; and we go into an examination of the economy of the province of Saskatchewan. We have made a very exhaustive study of that subject and have submitted to the Commission the result of our inquiries so as to give not only to the Commission but to the people of the Dominion of Canada a picture of the economy of the province, the industry of the province, the state of agriculture in Saskatchewan, and the importance of this province in its relation to the rest of Canada.

It is not my intention to read the brief in detail in this connection. I may say that Professor Mitchell, of the University of Saskatchewan, is here. He is the man who has had charge of a very remarkable soil survey which has been carried out by the University of Saskatchewan in this province. I will hastily go over part V, making certain points with respect thereto, and at the conclusion I shall ask the indulgence of the Commission to hear Professor Mitchell. He will describe what they have done in this province in the way of soil

survey and the investigation of conditions, because that is the basis of the whole problem.

Page 127 is largely descriptive of the province of Saskatchewan. It describes the agricultural areas of the province, breaking down those areas into different types of soil.

With respect to page 128, Professor Mitchell and those associated with him have broken down the area of the province into different concessions, and I presume he will refer to that when he addresses the Commission.

The main paragraph on page 129 will bear some study in relation to what Professor Mitchell will have to say, and I am referring particularly to the footnotes at the bottom of that page.

On page 130 there is a breakdown of the description of the soil into six groups. That will be dealt with. Somewhere in the brief you will find a reference to the utilization of fertilizer in this province for increasing the productivity of the soil. When more propitious times come back you will see a more general utilization of artificial fertilizers, with advantageous results. At the moment the people are not able to buy these aids to production.

Page 131 shows the relationship of railway construction to population and the importance of that subject.

Page 132 indicates steam railway mileage in the province, showing how it has grown from 1900 until in 1936 we had 8,624 miles of railway in the province, Saskatchewan being second only to the province of Ontario. Ontario is the only province in the Dominion with a greater railway mileage than we have in Saskatchewan.

Coming next to the question of population, I might read a paragraph on page 133. In this connection I would file two charts showing the shift of population in Saskatchewan within the last five years.

THE CHAIRMAN: Will those be two separate exhibits?

HON. MR. DAVIS: I think so, Mr. Chairman. One shows the increase and the other the decrease.

THE CHAIRMAN: The increase will be numbered 54 and the decrease 55.

EXHIBIT No.54: Chart showing increase of population in Saskatchewan within the last five years.

EXHIBIT NO.55: Chart showing decrease of population in Saskatchewan in the last five years.

HON. MR. DAVIS: I should like to read the following paragraph. On page 133, under the heading "Population":

" Railway construction stimulated settlement and in turn received stimulus from the rapid growth of population. The settlement of Saskatchewan has taken place in the twentieth century and in one generation population increased from less than a hundred thousand to nearly a million. Expansion during the period from 1901 to 1914 when over half of this tremendous increase took place, was the result of immigration from the British Isles and Europe, from Eastern Canada and the United States. For the ten years beginning with 1905, when the provinces of Saskatchewan and Alberta were carved out of the North West Territories, an average of more than 30,000 immigrants came into Saskatchewan each year from outside Canada. Since 1914 population growth has been much less rapid and immigrants from outside Canada have averaged less than 10,000 a year.(12) The census

Of 1931 showed that the movement of native Canadians from eastern Canada had not only ceased but had been definitely reversed, (13) and that natural increase was making a more significant contribution. The high birth rate and low death rate of a youthful population might have been expected to go far toward offsetting the decline in immigration, but population leakages have been heavy. (14) The small increase in the population after 1931 (see Table IV), accounted for by an increase in females since there was an actual decrease in the number of males, indicates that about 65,000 people left the province in the intercensal period 1931-6 since the excess of births over deaths for the five years was upwards of 70,000 while the immigrants giving their destination as Saskatchewan were in the neighbourhood of 3,500. (15)"

In this province there is a census every five years. I might stress here the fact that, after all, the province of Saskatchewan is only 35 years old, and in that period the population has grown from a few thousands to approximately a million; and the haste with which it has been settled is a matter of national policy.

Our resources were retained by the federal government for the purpose of settling this part of the country as rapidly as possible in order that the product of such settlement might redound to the benefit of the rest of Canada. And in the debates in the House of Commons in 1905, when the matter was under discussion, you will note that the Members of Parliament at that time laid emphasis upon the fact that I have just stressed, namely, that the resources of the province were being retained by the federal authority for one purpose and one purpose only,

that is, to promote the settlement of the province as rapidly as possible, in order that that settlement might benefit the rest of Canada.

COMMISSIONER MacKAY: And not Saskatchewan?

HON. MR. DAVIS: Yes, including Saskatchewan; but that rapid increase imposed a terrific burden upon the newly created province. The population was artificially increased beyond the limit that would have been normally possible had not there been that urge on the part of the central authority to get people in as quickly as they could, and that has created some of the problems which we have to deal with now. Moreover, it was done at the instance of the nation at large, and is a national responsibility to-day. It is a national responsibility to do something to solve the problems which the Dominion helped to create in this artificial increase in the population.

Page 134 gives a table -- table IV -- showing the drift from rural to urban population. It is interesting to observe that in the difficult years, from 1931 to 1936, the rural population had increased from 630,880 to 650,522, or an increase of 20,000 in rural population in that very trying period; whereas in the same period the urban population decreased by 10,000 making a net change of 10,000.

MR. ST. LAURENT: Would that mean that the natural increase in the rural sections has been retained and that it has been lost to a large extent by the urban centres?

HON. MR. DAVIS: I do not know whether that is the inference to be drawn from the figures, but the fact remains that there were 20,000 more people in the rural centres in 1936 than there were in 1931, and 10,000 less

in the urban centres.

THE CHAIRMAN: There has been practically no immigration since that period?

PROFESSOR BRITNELL: There is nothing in the census to indicate where the shift has taken place. The immigration figure is 3,000.

HON. MR. DAVIS: Page 135 is descriptive of farming practices. Table V on page 136 indicates the total area occupied. It gives the number of farms, the area of occupied farms, in acres, the average occupied area per farm, in acres, the area improved, the average improved area per farm and the area under field crops. It shows that in 1901 we had 13,445 farms, the number increasing consistently until in 1936 there were 142,391. The area of occupied farms, cultivated and uncultivated, comprises 56,000,000 acres odd, the average occupied area per farm being 399 acres. The area improved was, in 1936, 33,631,608 acres. There again there has been a consistent increase.

MR. ST. LAURENT: That figure would be just about equal to the figure given in Table II on page 30 in the first four groups.

HON. MR. DAVIS: Yes.

THE CHAIRMAN: Groups of what?

MR. ST. LAURENT: The groups described as superior, very good, moderately good and fair. It is given in square miles, but converted into acres it would be 33,325,000 acres.

HON. MR. DAVIS: That would not mean that bad lands are not cultivated?

MR. ST. LAURENT: No.

HON. MR. DAVIS: Page 130 shows the total settled area of the province. Leaving out the last two in the group, the total area of cultivated land is 33,000,000 acres.

MR. ST. LAURENT: The first four classifications show 33,000,000 acres of fair and better agricultural lands.

HON. MR. DAVIS: Yes; but at page 136, it does not follow that the 33,000,000 acres indicated there were only good lands. That is one of our problems which I shall deal with. Because of the similarity it may be assumed that the 33,000,000 acres under cultivation are exclusively in the first four groups, and are not spread over the entire six groups. If that assumption were correct our problem would not be so great so far as agriculture is concerned. The point I was trying to emphasize will be found at page 137, with respect to the national policy of settling this country:

" Rapid exploitation made mistakes in land utilization inevitable. Regulation and control were foreign to the immigration and homestead policies of the Dominion government and to the spirit of the agrarian frontier. Little was known of the relative adaptability of different soils to wheat production. Between 1910 and 1920 encouraged by high prices for wheat, a favourable climatic cycle and rapid construction of railways the homesteader and his plough made tremendous inroads upon the ranch economy of the southwest."

It is not stated in the brief, but at that time another material factor was the urge for greater production, the greater production campaign that was carried on for the production of more wheat for war purposes, which added considerably to the breaking up of lands in that section of Saskatchewan. I have received a letter from Mr. Z.M. Hamilton, a well known old timer here, in which he points out this very fact, showing that in

1904 the then territorial government headed by Premier Haultain strongly remonstrated with the Department of the Interior against the policy of allowing farmers to take up land in the semi-arid portion of the province. Mr. Sifton, who was at that time Minister of the Interior, adopted a policy whereby homesteading was prevented, but when he ceased to occupy that office his successor reversed that policy, with the result that a great deal of our problem is now attributable to that reversal. For people were placed in an area where they should not have settled. That was done as a matter of national policy and it is a point that should be taken into consideration when the problems of the province of Saskatchewan are dealt with.

On page 138 the brief deals with the economic farm unit and farm tenure, and I suggest that this part of the brief be read very carefully. I would suggest, Mr. Chairman, that those sections having to do with the economy of the province, and particularly with respect to agriculture, are possibly the most important sections in the brief; and while we are passing over them rapidly now, I would ask that they be given very careful study at your leisure.

THE CHAIRMAN: We will read them carefully, Mr. Davis, I assure you.

HON. MR. DAVIS: On page 141 there is an important table showing tractors, combines, motor trucks and automobiles on farms in the prairie provinces and Canada, from 1921 to 1936. This is table VIII. The second column gives the figures for the province of Saskatchewan. In 1936 this province had a total of 42,051 tractors out of a total of 105,360 on all farms in Canada; in other words, nearly one-half of the total number of

tractors on Canadian farms in 1936 were to be found on the farms in Saskatchewan.

Coming to combines we find that in 1936 there were 6,413 in the province of Saskatchewan out of a total of 8,917 in all Canada.

Of motor trucks there were in Saskatchewan, in 1936, 10,338 out of a total of 48,401 in all Canada.

And when we come to automobiles we find that in 1936 there were in Saskatchewan 54,469 as against 321,284 throughout the Dominion.

In this connection I would point out that in the province of Saskatchewan the automobile is rather in a unique position in relation to the rest of Canada. In other parts of the country the automobile is used almost entirely for pleasure; in Saskatchewan it has now become nothing more or less than a farm implement. It is necessary in carrying on the operations of the farm, because the people of this province would not need 54,000 automobiles for pleasure.

THE CHAIRMAN: Is it possible that too many tractors and combines were purchased having regard to the cost of these implements?

HON. MR. DAVIS: I would not say that too many were purchased, though the farmers may have had some difficulty in paying for them by reason of the situation that developed after their purchase.

Page 143 gives an interesting table -- Table IX. In passing, I may say that Dean Cronkite draws my attention to the fact that to-morrow Professor Allan of the University will be here, and you can get his opinion with regard to the mechanization of the farms of the province. His views in that regard will be well worth hearing.

On page 143 you will notice the number of farm tractor sales in the province. In 1928 there were 8,703 tractors sold; in 1929, 6,906; in 1930, 4,350, and in 1931, only 267; in other words, there was a drop from a high of 8,703 to 267 tractors in 1931, and 279 in 1932. Those were the tractor sales in the province of Saskatchewan.

A study of this table will reveal the effects of this decline in sales upon the rest of Canada when any misfortune overtakes wheat production here, either as a result of drought or by reason of unsatisfactory prices. These particular implement industries must have suffered very considerably as a result of this sheer drop from thousands of tractors a year to virtually nil.

As I said a moment ago in discussing the table on page 41, the motor car, so far as this province is concerned, cannot be regarded as a means of pleasure; it is an implement of production in use on our farms -- and the vast majority of motor cars in the province are owned by farmers.

Page 143 also indicates another fact which we shall have occasion to discuss later. Take the number of tractor sales. Since 1930 only 3,172 tractors have been sold in the province, which means that all the rest of them -- whatever tractors are in operation -- are more than six years old.

THE CHAIRMAN: A tractor, if properly cared for, should last for more than six years.

HON. MR. DAVIS: Yes, it does.

THE CHAIRMAN: The life of a tractor should be more than six years.

HON. MR. DAVIS: Yes; I do not know much about these implements but I should judge that the majority of

the 40,000 odd now in use in the province are over six years old.

On page 144 the brief deals with trends in land tenure, and I might read the last paragraph on that page:

" Tenancy tends to be highest on the choicest lands of well established districts, and, in general, is most common in the southeast and south-central parts of Saskatchewan while ownership is most obvious in the northern and more newly developed areas. Tenancy is highest on the good soils of the Regina plains where as early as 1926 in one rural municipality only one-third of the farmers owned all their land and over half the farms were operated by tenants. (36) On the other hand ownership is highest on the poorer soil types of the southwest, on the less desirable wooded soils of the north where settlement has continued, and on the better land of the Carrot River Valley, much of which has been acquired by homestead since the war."

It is peculiar that in the richest areas there are fewer actual owners.

COMMISSIONER ANGUS: Does that mean that the original owners have retired?

HON. MR. DAVIS: Yes, they have either sold or leased to others. In this area there are large holdings of lands subject to lease, and it is hardly a fair criterion to take the Regina plains and apply to the rest of the province the conditions prevailing there. The tendency seems to be that where there is a small quarter section there is more individual ownership than where there are larger units.

Table X, at the top of page 145, shows the change from owned land to rented land. In 1936, 65.2 per cent

of the land in Saskatchewan was owned and 34.8 per cent rented. But that is hardly fair either, because if you turn to the next three columns you will find that the percentage of owners is given as 60.7, the tenants 20.4, and the owner-tenants 18.9. The owner-tenant, as I understand the term is used in the preparation of this material, is a man who owns land and has a mortgage, the mortgagee being in possession, having leased the land to the owner-tenant under the Attornment Clause. He is the actual owner, but there is the relationship between owner of land and tenant.

PROFESSOR BRITNELL: "Owner-tenant" is the designation used in the census to cover the farmer who owns part of his land and rents part of it. He may own three-quarters of the land and rent one-quarter.

HON. MR. DAVIS: I had been given to understand that the term had reference to the Attornment Clause, but apparently that is not correct. So that owners would be 60 per cent, tenants 20 per cent and the other 18 per cent odd would be those who own part of their land and rent the rest.

THE CHAIRMAN: That might not be uncommon; a man might own a quarter section and lease another quarter section.

HON. MR. DAVIS: Yes, it is a common practice. Apparently it is more satisfactory to the owner than any other system of ownership.

THE CHAIRMAN: So that taking the owners and owner-tenants together, you have approximately 80 per cent.

HON. MR. DAVIS: Yes, as against 20 per cent of owners pure and simple.

On page 145 the brief discusses special features of prairie land tenure and on page 146 the last paragraph

is interesting:

" More of the Continental European settlers own their own farms than of either the native-born or immigrants from the United States and Great Britain."

I presume they have brought with them their traditional desire to own their own land; be that as it may, that is the fact in Saskatchewan.

Page 147 deals with production trends in the wheat economy. Page 148 is quite important; in fact, the table set forth on that page is one of the most important in the brief inasmuch as wheat production represents 80 per cent of the agricultural production of the province. Wheat represents 80 per cent of the entire farming production of Saskatchewan, and therefore if there is one word that is of paramount importance in the economy of Saskatchewan, of more importance than any other word, that word is "wheat"; because upon wheat the whole economy of the province is based. If from a purely material point of view there are certain things that are of greater importance than others, those things can be listed in the following order. First there is wheat and the price the farmer receives for it; secondly there is the tariff which affects the cost of his production, because his net return is the difference between what he receives for his wheat and what it costs him to produce it. From that point of view therefore, the tariff has a material bearing on cost of production in the province. The third material consideration is the matter of freight rates within the province, which likewise has an important bearing on the amount which the farmer receives.

Turning to Table XI on page 148, I would refer the Commission to the second column giving the average yield

per bushel. The idea seems to be prevalent in many parts of Canada that the problem in Saskatchewan is entirely one related to drought. Possibly we are responsible ourselves for that impression by continually referring to the seven years of drought; but this chart will show that drought has not been the main difficulty in Saskatchewan. The main difficulty, exceeding in gravity the condition brought about by the drought, has been the question of the price the farmer has received for his grain. That has been more disastrous to him than even the drought conditions through which he has passed.

I should like to call attention to a few figures in that regard, bearing in mind that the average wheat production of the province is 190,000,000 bushels. You will see that in 1926, one of the best years the province has had, our production of wheat actually sold off the farms was 219,646,000 bushels. Keeping that in mind, turn to page 172, Table I, giving the estimated value of agricultural products actually sold off farms in Saskatchewan in the years between 1905 and 1937. What the farmers received in actual cash will be found in the first column on that page. In 1926, when the farmers produced 219,646,000 bushels they received \$220,781,000. Then take the year 1932. As you will find by reference to page 148, Table XI, in that year they produced 211,551,000 bushels of wheat and they received for that quantity of wheat -- practically the same quantity that they produced in 1926 -- only \$56,889,000. Talk about the years of drought; well, 1932 was one of those alleged drought years, and those are the figures.

I am citing these figures to show that actually our problem is not so much a matter of the drought as of the price level. The farmer's cost is fixed, it is

rigid; he cannot reduce it. On the other hand, the price of grain is controlled outside Canada, and the decrease in price is as I have indicated. If you will look further down the list, you will note that in 1930, which is ordinarily referred to now as the year of drought conditions, we had an average yield of 14 bushels to the acre and produced in that year 206,700,000 bushels. In 1931 our average yield per acre was 8.8 and in that year we produced 132,466,000 bushels. In 1932 we had an average yield of 13.6 per acre and produced 211,551,000 bushels of wheat. In 1933 the average yield was 8.7 and the total production 128,004,000 bushels. In 1934 the average yield was 8.6 and the total production 114,200,000 bushels. In 1935 the average yield was 10.8 and the total production 142,198,000; and in 1936 we had an average yield of 8.0 per acre and the total production was 117,000,000 bushels.

THE CHAIRMAN: The mistake, if it be a mistake, is this, is it not -- in assuming that the whole of Saskatchewan has been affected by drought, whereas apart from this year, the area seriously affected has been the smaller portion of the province lying principally south of the mainline of the Canadian Pacific Railway?

HON. MR. DAVIS: Yes, that is right.

We had, up to the first week in August, one of the finest crops in sight, one of the finest crops ever grown, and all of a sudden the rust hit it and destroyed it in a week or two. I have been laying stress upon this phase of the matter in order to remove from the minds of the Canadian people the impression that this country is gone so far as productivity is concerned; because the drought has been restricted to a certain area. As a matter of fact, we have been producing, but the trouble

is that we have not been getting anything for our production because of the price. The price is too low.

THE CHAIRMAN: The price was all right last year and this, but you have not the crop to sell?

HON. MR. DAVIS: We will come to the figures later on and you will see how well off we should have been if we had had the crop to sell. I will not comment on the matters discussed on pages 149, 150, 152 and 153. Next we come to page 154, the second paragraph. We are told that the cure for the ills of Saskatchewan is mixed farming, but that paragraph indicates the impossibility of this in an agricultural country such as the province of Saskatchewan.

Page 1686 follows.

On page 155 is a chart showing the livestock population on the farms of Saskatchewan. That is interesting. You will note a decrease in the horse population, but an increase in milch cows.

THE CHAIRMAN: Notwithstanding the drought there is an increase in milch cows.

HON. MR. DAVIS: You will note the total cattle population has been going up. Of course, these figures are up to last year. There has been a considerable decrease in the population as a result of this year's disaster.

THE CHAIRMAN: The swine population has gone down.

HON. MR. DAVIS: Yes. This year it will be bad, because there is nothing to feed them with. Page 156 stresses the hazards of wheat production. That is very important. To understand the economy of this province one must realize the natural hazards to which the farmer is subject, outside the unnatural ones such as the tariff. These are difficulties that God creates and man does not make. Page 158, 159 and 160 deal with those hazards. I might want to make a comment in connection with page 160. The table is headed "Percentage Reduction of Grain Yields from Major Insect Pests in Saskatchewan, 1927-1936." You will note in year 1923 there was a 25 per cent crop loss, which would actually run into millions of dollars. This loss resulted from all these pests. That table indicates the need for agricultural research in this province.

THE CHAIRMAN: For 1933 what was the loss?

HON. MR. DAVIS: There was a loss of 25.7 per cent due to grasshoppers, saw-flies, cutworm, and wireworms. These pests indicate the necessity of this province being put in a position whereby it can do to the greatest possible extent research work of that kind, preferably through the University of Saskatchewan. One year's loss

would bear the cost of research over a long, long period of years, if it were necessary to carry it on that far. Page 162 deals with hail, the one insurable risk. That was referred to this morning. That is one risk that has been insured by municipal hail associations and the line companies up to the present time. Page 163 deals with the urban development of this province, and that is largely historical. Page 164 deals with distribution. That is in the same category. Pages 165 and 166 are similar. The table on page 167 is of interest. It indicates the industries we have in the province of Saskatchewan. You will note in all the industries that we have -- and you have to stretch the term "industry" to cover the things here, -- bread shops and things of that kind -- the total number employed is 6,355. The table shows the little importance that industry occupies in the economy of the province of Saskatchewan. There are 6,355 persons employed in all the industries of this province. I believe somewhere in this brief you will see there are engaged upon the farms of the province something like 184,000 people, and full time employees, hired farm labourers and so on, about 18,000 under normal conditions. There are three times that many in that category as there are in all the industries of the whole province of Saskatchewan. That is indicated by the table which appears on 168. By that table you will note that 60.31 per cent of the province is gainfully employed in the agricultural industry whereas in Canada the total is 28.3 per cent. Table 17 appears on page 169, Mr. Chairman, and indicates the importance of agriculture to this province and to the other provinces. It is interesting to note the figures there. The table covers the percentage of the value of the net production of each province. In

1934 agriculture represented 73 per cent in Saskatchewan and 79 per cent in 1935; whereas in Manitoba it represented 42 per cent and 34 per cent. In Alberta 66 per cent in 1934 and 62 per cent in 1935. Take the province of Ontario. Agriculture represents 26 per cent of its production and manufacturing nearly 40 per cent. That shows the difference, one being an industrial province and the other an agricultural province. Naturally the policies that might suit one might not entirely suit the other. Then, Mr. Chairman, we move to page 170. Perhaps at this point Professor Mitchell might say a word as to the soil conditions in the province.

THE CHAIRMAN: I should be very glad to hear him.

HON. MR. DAVIS: There is a soil map of Saskatchewan directly behind you; perhaps it could be moved closer to you.

PROFESSOR J. MITCHELL (University of Saskatchewan), was called.

PROFESSOR MITCHELL: Mr. Chairman, I should like to point out that this map is the result of about 15 years work in soil survey in Saskatchewan. This work has been carried on with support from both the provincial and dominion departments of agriculture, through the University of Saskatchewan. This area here (pointing) extends nearly to township 48. The area is roughly 400 miles by 300 miles in depth. I wish to point out in this connection that the centre of the province is north of the area shown on this map.

THE CHAIRMAN: The province is about 700 miles from north to south?

PROFESSOR MITCHELL: Yes.

THE CHAIRMAN: And 400 miles wide.

PROFESSOR MITCHELL: At its southern border.

So we have covered in the neighbourhood of 100,000 square miles in our survey. This work, of course, has been done on a rather broad scale; we have no high detail at all. We have not surveyed all the settled part of the province, of course, because Prince Albert is here (indicating) and Lloydminster is not quite on the map here (indicating). On this side of the province settlement extends northwest from 80 to 100 miles.

THE CHAIRMAN: You mean, on the west side.

PROFESSOR MITCHELL: On the west side, and not quite so far on this side. Probably about 40 or 50 miles north.

THE CHAIRMAN: North of Prince Albert?

PROFESSOR MITCHELL: Yes, of this boundary at township 48. . . . We have done little work north of that.,
not
In recent years we have/been able to carry on that work as much as we should have liked to in connection with the new settlements in the north. We have had to confine our work more or less in the last few years to the southwest. One of the first things, Mr. Chairman, we would notice, as you realize, in going over this large territory is the tremendous variation in the soil and also the tremendous variation in climatic conditions. That is not generally realized, I believe, outside of the province. People have the idea as they come here, particularly as they travel across, that this is a large open plain, and that largely our farming is confined to that area. Such is not the case at all. Climatically speaking--and I wish to mention climate first and then vegetation, and then the soils, because climate fixes the soils of a region speaking in the broader sense -- as you go from the corner of the province either easterly or centrally --

THE CHAIRMAN: From the southwest corner.

PROFESSOR MITCHELL: From the southwest corner across, northerly or easterly, you find that there is a

considerable change in climatic conditions occurs. That does not mean there is higher rainfall/^{in the} north at all, because it is not true. The rainfall does not vary greatly over this whole area. As a matter of fact, in some of these northerly areas there is a lower rainfall than there is down in the southwest. The difference in this respect is due to evaporation and the use of moisture, and the moisture required by the plant in the/^{north} (indicating) is very much lessened, due to higher humidity and lower temperature, the shorter season on the average, and such factors as these. I should also mention the Chinook Winds. The Chinook Winds are more confined to the southwest. These are the winds that do a lot of good to the rancher in the winter time, when he wants the range/^{freed of snow,} but do tremendous harm in the summer time to the wheat crop, especially when they come in July. The vegetation also changes. Here we have shorter grass plants.

THE CHAIRMAN: When you say "here" you mean in the southwest corner, or the southeast corner. Please refer to it in that way so the reporter can get it down in the notes.

PROFESSOR MITCHELL: In the southwest area vegetation is of the short coarse variety, and you also find there such arid indicating plants as greasewood, sage brush and cacti. When you reach further to the east or north into the central part of the province, if you like, you find vegetation changing. There is a denser grass cover, taller growing species of grass, and the more arid indicating plants are more frequent. When you go further north and east in the province, say up to the north central part of the province you find that the taller grass species, the poplar trees and so on, begin to appear. We find what we call our park country, because of the scattered

poplar and willow. The landscape there is very pleasing. North of that it is solid timber. Now, the soil zones are definitely associated with climate and vegetation. These soil zones mean nothing more than in one of these zone areas, as we call them, you have a similarity of soil; not the same soils throughout the area, because they will vary somewhat; but there is a general similarity in this south western area. In the more arid area we have what we call our brown soil. These soils are not very high in organic matter. Their particular colour and shallow depth indicate the arid conditions that they have withstood for many centuries, because the soil really indicates the climate much better than most of the meteorological records we have.

Then, running across the province in this direction, still in the open plains --

THE CHAIRMAN: Northeast to southwest?

PROFESSOR MITCHELL: From the northwest to the southeast. We find this dark brown soil zone. That is intermediate between the brown soils of the southwest and the soils of the park belt, which also stretches from the northwest to the southeast across here (indicating). Perhaps you can see those lines. This is the brown soil zone running across here (indicating). This is the dark brown, and these are the so-called black soils of the park lands region. North of that we have these peculiar northern soils. The greywood soils, cutting right across the whole northern part of the province and reaching down into the north east corner of this map. Now, sir, it is quite evident that this condition would affect agriculture in the different areas. We find in our southwestern area that the arable soils are ^{producing} soils largely. This means that the soil in the southwest area is arable and white. The non-arable soils are used for ranching.

THE CHAIRMAN: Would that not grow coarse grains also?

PROFESSOR MITCHELL: Yes, but the larger part of the acreage is in wheat. I forget the figures.

THE CHAIRMAN: Wheat is more profitable?

PROFESSOR MITCHELL: Yes, more profitable, and wheat is a more drought resistant plant. Throughout the central part of the province the same holds true except the moisture conditions are beginning to get better. Up in this area here you will find a little more production of coarse grains, particularly as you reach over toward the northeast border of the area.

THE CHAIRMAN: Coarse grains. Why?

PROFESSOR MITCHELL: Because of better moisture conditions.

THE CHAIRMAN: Coarse grains need more moisture than wheat?

PROFESSOR MITCHELL: Yes; they require more to be successful in a dry area. When you get into the park belt you find coarse grains and grasses and particularly in the more moist area. Because of the possibility of producing feed in this area you find more of your livestock. Your livestock population in the province is more dense through this area than in the so-called range area, because the source of food is there, and it is more dependable. In the grey-soil area there is not a great deal of development yet. The larger share of that settlement has gone on in relatively recent years. It has got ahead of us in our soil survey, unfortunately. A good deal of the settlement up there, I am afraid, is not on very suitable land. The difficulties there are much greater in preparing land for cultivation and maintaining that cultivation than in the heart of the prairies. Prairie soils as a whole have a native fertility. Drought is difficulty, rather than lack of fertility, that limits

production of our better prairie soils. They have not the native fertility of our prairie soils.

THE CHAIRMAN: They have not native fertility?

PROFESSOR MITCHELL: No; they are not as high in organic matter, nitrogen and so forth, as the soils of the prairie. Now, I believe, that covers in brief, at least, what I wish to say. I do not believe I should keep you very much longer, except to point out, as you can see, the colours on the map and what they denote. For instance, here is a colour which indicates heavy clay, and here is excellent wheat land of the Regina plains. This is a large area, about 100 miles long. This blue colour indicates loam soils, and the yellow sandy areas. You notice up in that area particularly we get a lot of sandy soils.

Before I close, Mr. Chairman, I should like to hold up for your view two maps in order to make the interpretation of this larger map a little more easy of comprehension. We grouped all the soils into three groups, the yellow, which we consider to be non-arable, these are sand hill areas, hilly areas and the so-called burned out areas of the southwest. Notice how this non-arable land is distributed completely over the province. You may have a large area that is good, but you almost always have some poor soils in one of these larger areas. Take this municipality, for instance, It consists largely of land of the non-arable class. You can see what the difficulties of that municipal unit are from the standpoint of land of this kind.

THE CHAIRMAN: They would probably like a larger unit.

PROFESSOR MITCHELL: There is no doubt about that. You will notice also in our southwestern area, the drier area, the more arid area, we have a large percentage of that poor land. We can expect the difficulties from drought or aridity to continue in that southwestern area

Let me say this, and I think Mr. Davis has pointed it out, in our black soil area drought is not really a serious factor. We have had drought tonguing into that area now and again over a period of years. In the southwest area, unquestionably, we have reason to expect drought,

judging from the soils and vegetations there and the experience we have had. The blue area indicates soils that we are uncertain as to whether they can be maintained in arable agriculture. The areas of the map coloured in red we feel confident will remain in arable agriculture. They are heavy soils. Most of them are level. They have not suffered very seriously from soil drifting.

THE CHAIRMAN: What is the depth of the soil on the Regina plains?

PROFESSOR MITCHELL: The clay?

THE CHAIRMAN: The good soil.

PROFESSOR MITCHELL: They are quite deep and the subsoil at six inches to a foot depth seems to be quite productive. It wouldn't be a good thing to lose six inches of the surface soil. We have seen borrow pits alongside the road, and the farmer has come along and seeded it and in a few years you could not see very much difference in production. It is really remarkable soil. From the standpoint of wheat production we have always regarded this soil as No. 1. The unfortunate thing is it is subject to soil drifting. I shall close with a few remarks on soil drifting. That is the most serious problem that we have yet faced in this province without any doubt. We have to control soil drifting. If soil drifting goes on in this province we are going to drift to. In my short lifetime I have seen a good deal of that, because I was raised on a farm in Manitoba from which we had to move because of soil drifting. That is not so very

long ago. The same thing has been happening here since we moved to Saskatchewan. I have seen land which had produced well for some years, and now I cannot see any possibility of its returning to production. This is particularly noticeable in sandy loams. When these drift they lose the clay and the silt and the organic matter, and when that happens you have nothing left but a pile of sand. It is surprising how quickly this occurs. One of our major difficulties in connection with loss of fertility is the control of soil drifting. We do not say that there is no loss of fertility of land under cultivation, but we can take care of normal depletion; but soil drifting does more damage in a season to fertility than would be removed by many crops.

THE CHAIRMAN: I suppose the serious character of the soil drift depends on the fertile soil above the sand, does it not?

PROFESSOR MITCHELL: Yes, it depends partly on the depth of the organic matter, in the southwestern area. It tends to be shallower than farther north.

COMMISSIONER SIROIS: Can you control drifting soil by planting trees?

PROFESSOR MITCHELL: That is one method being tried, among others. We shall be fighting soil drifting for many years. If we control it at the end of twenty years we shall consider ourselves very fortunate.

THE CHAIRMAN: You say fertility is affected by constant cropping; the organic matter is used up. Is that brought about by steady cropping?

PROFESSOR MITCHELL: Yes, that is one factor, although it is not as serious here as has been generally made out. The old cry about our summer fallow system being detrimental cannot be substantiated under the conditions here. Under

humid conditions, where you get leaching through the soil, it would be a different matter. But we do not get enough rain, so that there is not much leaching. Our moisture stays fairly close to the surface. Any elements that are soluble may be lodged where they cannot get very far away, and the plant gets them the next year. Summer fallow is not causing any great depletion of organic matter; although we have to look towards the maintaining of it. It is more important in the grey soils.

THE CHAIRMAN: The artificial fertilizers such as those put out by the Traill Smelter and other concerns, would they restore the organic matter or supply other elements to take its place.

PROFESSOR MITCHELL: It supplies other elements, particularly the element of phosphorous. We are well supplied with organic matter and nitrogen in our soils by nature. Nitrogen has not been cut down very seriously. Several factors contribute to that. Some nitrogen reaches the soil from the air; some is fixed in the soil by biological organisms, and some is returned in the form of crop residue. Phosphorous is in a different situation. You have not so much in the soil to begin with, and it is not readily available to the plant. What is taken out by the plant goes into the seed. 90 per cent of the phosphorous is sold with the seed. There is no such natural means, as in the case of nitrogen, by which phosphorous can be returned to the soil. That is one of the first elements that will have to be taken care of.

COMMISSIONER DAFOE: These yellow areas carry a considerable population, of course.

PROFESSOR MITCHELL: Yes, a certain amount of population, but there has not been so much cultivation,

The difficulty is intensified there and in the blue areas above. Some of them do look very doubtful from the standpoint of continuation in arable agriculture. Maybe they can be continued but it depends on what the climate gives us in the next thirty years. If we have seen as bad as we are going to see in the last thirty then we can make better predictions about what is going to happen to these blue areas.

THE CHAIRMAN: Does your study of the soil indicate that the limits of the drought affected certain areas this summer much more extensively than before and did not seriously affect other areas?

PROFESSOR MITCHELL: No, I could not answer that problem. That seems to be a meteorological peculiarity of the season.

HON. MR. DAVIS: Might I suggest the reporter make available to Professor Mitchell a transcript of his evidence so that he can indicate in the report to what he was referring when he used the ruler.

THE CHAIRMAN: Yes.

HON. MR. DAVIS: I should like to file as an exhibit a copy of the maps to which Professor Mitchell has been referring and a copy of the soil survey, No. 10, prepared by the University of Saskatchewan.

EXHIBIT NO. 56: Copy of maps and Soil Survey No. 10 prepared by the University of Saskatchewan.

HON. MR. DAVIS: We were at page 171 of the brief, Mr. Chairman. May I read a quotation from Dr. Mackintosh:

"With very limited regional exceptions, the last eight years have been extremely difficult and discouraging to Saskatchewan agriculture. From 1924 to 1928, the annual value of the provincial wheat crop

was 240 million dollars, but from 1929 to 1936 inclusive yields have averaged only 60 per cent of the preceding five-year period, and farm prices of wheat about 56 percent. Decline in revenues from the wheat crops have brought prolonged hardships. The 1929 wheat crop had about two-thirds of the value of that of 1928; the 1930 crop, two fifths; the small crop of 1931, one fifth; the fair crop of 1932, one-quarter; the crop of 1933, one fifth; that of 1934, one quarter, that of 1935, about one third; and the 1936 crop, rather more than one third."

COMMISSIONER DAFOE: The author of that quotation is William Allen.

HON. MR. DAVIS: That is correct, Professor Allen of University of Saskatchewan. The schedule on page 148 was a very, very important one. It gave us figures in regard to the wheat produced and actually sold by the farmers of this province. When we come to page 172 we come to a table which shows the actual cash. These statistics have been accumulated year by year by the Department of Agriculture here. While the table says "estimated value", it is the actual value. It is not estimated; it is the actual amount of cash received by the farmers of this province for the grain that they sold. That is, the net amount they received on the farm or at the elevator.

THE CHAIRMAN: That does not take into account the amount retained for seed or feed.

HON. MR. DAVIS: No. The costs of transportation are also deducted from these tables, to which I am going to refer. I want to stress the value of wheat production. Naturally, in a country such as this it is going to be difficult to reconcile the economic interest of one part of Canada with the economic interest of another part of

Canada, the economic interest of the agricultural section with the economic interest of the industrial section. There is going to be a clash between the two. What is good for them may not be very good for us, and what is good for us may not be very good for them. There must be some give and take in that regard. We want to point out these figures to show that they are of very prime importance to this province in the general economy of the dominion of Canada. The schedule I quoted a moment ago shows we have virtually no employment in this province other than 6,000 people engaged in a few minor industries. Everything that we buy is produced outside of this province with the exception of meats and flour and a few things produced from the products of this province. Everything has to come from outside this province, and therefore the income of the farmers of the province, who make up the bulk of the people, must in turn of necessity reflect itself very much in the activity and prosperity of the rest of Canada. For instance, if you take the period of eight years from 1922 to 1929 from one product alone the farmers of this province sold and received \$1,559,518,000. Now, you cannot dump one billion and a half dollars into the income of Canada -- and the majority of that went outside the province -- without reflecting very materially on the economic life of the rest of Canada. A billion and a half dollars is a colossal sum. That wealth was produced in this province in eight years. The province produced in that product alone in those eight years more than the entire mining industry of the whole of the dominion of Canada in the same time. That is a very important factor in the life of the Dominion of Canada.

THE CHAIRMAN: Since that time the mining industry of

Canada has been developed on a much larger scale.

HON. MR. DAVIS: Yes; but give us a reasonably good year of ordinary production, and we will produce as much in wealth in that year as all the gold mines of Canada. With a normal production of 190 million bushels at 74 cents a bushel we will produce more new wealth in one year than all the gold mines of Canada put together. I am just trying to stress the importance to other provinces that the industry of agriculture be allowed to function in this province and the farmers allowed a reasonable opportunity to exist. Naturally, that billion and a half dollars did not produce any luxuries in this province. Nobody enjoyed any great luxury in life in those years. That money all went to buy the things that people require, and which come from beyond the borders of this province, particularly the east. That had a tremendous effect upon the industries of eastern Canada. Take the next eight years 1930 to 1937, our production dropped from one billion and a half dollars to \$449,000,000, largely due to prices which were controlled beyond the borders of Canada. The farmer had to assume rigid costs of operation, and largely rigid as a result of the application of a national policy with respect to tariffs. As I stressed on page 148, our problem has not been so much the problem of a drought as the problem of prices. On top of that, Mr. Chairman, the importance of this province, as indicated in these figures in the economy of Canada, is the railways. When you come to the railway section you will see that the farmer produces a bushel of wheat before he gets anything. He has to pay 35 cents for transportation to the railway or water to transport that bushel of wheat from the point of origin/ to the point of consumption in Europe. On a crop of 200 million bushels

you can see the vast contribution the farmer makes to the transportation systems of Canada.

THE CHAIRMAN: What is the rate from here to Fort William?

HON. MR. DAVIS: Thirteen and a half cents, together with underlying charges; they take about eighteen cents.

THE CHAIRMAN: What is the figure?

HON. MR. DAVIS: Thirteen and a half cents a bushel.

THE CHAIRMAN: To Fort William. What is the elevator charge? Have you broken the figure down?

HON. MR. DAVIS: Mr. Chairman, Mr. Milliken, solicitor for the Saskatchewan Pool Elevators is here and can give us those figures.

MR. MILLIKEN: Mr. Chairman, the country elevators charge one and three quarter cents a bushel, the commission charge for selling the wheat is four cents a bushel; then, there is the terminal elevator charge of one and quarter cents, and a terminal elevator charge of one and three quarter cents. The whole thing amounts to four cents.

HON. MR. DAVIS: The whole thing combined is four cents a bushel.

THE CHAIRMAN: The Commission and country charges are four cents a bushel?

HON. MR. DAVIS: The terminal charges one and three quarter cents.

THE CHAIRMAN: Yes.

HON. MR. DAVIS: There are about nineteen cents a bushel deducted from the farmer by the time his grain gets to Port Arthur. When he hands it over to another transportation company which proceeds to take another slice, and so on until it reaches the ocean.

THE CHAIRMAN: According to their figures they say they do not make any great profit in carrying it.

HON. MR. DAVIS: Mr. Chairman, I should like to refer to the railway section, and when we come to it you will see the province of Saskatchewan contributes more than any other province in Canada towards their earnings. The question of whether they pay dividends or not depends upon the amount of grain produced in Saskatchewan.

THE CHAIRMAN: Their earnings at present are nil.

HON. MR. DAVIS: Yes. What I am trying to stress is the fact that this this province is a very important factor in the economy of Canada.

THE CHAIRMAN: Nobody will dispute that.

HON. MR. DAVIS: After we produce a billion and a half dollars of new wealth we have very little of it left; somebody else in Canada seems to have the most of it.

THE CHAIRMAN: Nobody else has it left; everybody spent it in the days of prosperity.

HON. MR. DAVIS: I believe I could find a few, if I could get down to the east; they still have some.

THE CHAIRMAN: We all lived above our means without prudence or forethought for the future.

HON. MR. DAVIS: We are not objecting to their having it, if they get it by legitimate means. I now come to pages 173 and 174. At the top of page 174 we state:

"Ordinarily fully 80 per cent of the cash receipts come from wheat, rather less than 10 per cent from other field crops (oats, barley, rye and flax seed), and approximately 10 per cent from the sale of livestock, dairy and poultry products. During the depression agriculture has continued to remain dependent on wheat for the bulk of its revenues, but the relative importance of

animal products has more than doubled, despite the disappointing prices which have prevailed. This increased relative importance can be explained chiefly as the result of the abnormally small wheat crops, but also of the stimulus that low prices of oats and barley have given to the use of these grains in the feeding of livestock on the more diversified farms of the park belt, thus bringing about a considerable increase in the physical volume of livestock, dairy and poultry products available for sale. Such changes are evidence of the attempt to meet the decline in wheat prices by reorganization; but the technical conditions of western agriculture, and the decline in the prices of such alternative products as are technically practicable, make possible only slight mitigation. I shall leave the next paragraph, Mr. Chairman, for your reference.

(Page 1712 follows.)

I just want to say that if the price of the goods the farmer had to buy had dropped in proportion to the price he received for the goods he had to sell, his relative position would not have been so bad in the last few years, except in so far as his fixed charges and taxes and duties are concerned, but we shall deal with that more fully in the Monetary section when we come to it.

Then Table III on page 175 shows the average farm prices that have been received in Saskatchewan, 47 for wheat in 1930, .38 in 1931, and .35 in 1932.

THE CHAIRMAN: When you say .38 in 1931 is that .38 for No. 1 Northern?

PROFESSOR BRITNELL: That is the average price of wheat for that crop, regardless of grade.

THE CHAIRMAN: The average price to the farmer?

PROFESSOR BRITNELL: To the farmer at the farm, less about twenty cents a bushel for freight and handling, commission charges and so on.

HON. MR. DAVIS: So he would get on the average 18 cents.

THE CHAIRMAN: What is the threshing charge?

PROFESSOR BRITNELL: It varies. During the last few years it has been around five to eight cents a bushel.

THE CHAIRMAN: Five to eight cents a bushel?

PROFESSOR BRITNELL: Yes.

THE CHAIRMAN: Then the actual return to the farmer requires the threshing charge to be taken off?

PROFESSOR BRITNELL: I would call your attention to the footnote on page 174 which reads, "The farm price of wheat excludes certain fixed charges of about twenty cents a bushel for freight, elevator handling charges, inspection and grading fees, commissions, etc."

THE CHAIRMAN: His actual price would be 32 cents or less?

PROFESSOR BRITNELL: Probably less.

HON. MR. DAVIS: Then on page 176 there is a paragraph under the heading "Absence of Reserves" which I want to read because it is important. We stress the importance of the insurance principle:

"Life insurance policies probably constitute the most important outside resource, yet in surveys made between 1930 and 1934 in representative districts of the province, and covering some 2,000 farms, only 46.5 per cent of the farm operators reported policies, while in an economic survey embracing 839 farms in seven rural municipalities of southwestern Saskatchewan in 1935 only 21.6 per cent of the operators had policies, and 68.8 per cent of all policies contracted had been discontinued, generally because of inability to meet premiums."

That is in the southwestern section that has been hit so hard. We must qualify it by that.

Then on page 177 we deal with Net Farm Income, and quote Dr. Mackintosh:

"A farmer is kept solvent not by his gross income but by his net income."

I presume that applies to almost everybody.

THE CHAIRMAN: To most people.

HON. MR. DAVIS: But the fact I would like to stress is that the farmers of western Canada, with an income of \$220,000,000, are not living in luxury because that is a gross figure, and when you get the net figure, there is not very much left. So that is very important so far as the farmer is concerned, and to him the cost of production is a vital thing. If you are going to lift the farming population out of their difficulties, one of the most

important things to be considered, outside of climatic conditions, is the cost of production to the farmer, and the higher the tariff, the higher the cost of production.

Pages 178 and 179 are important, and Table V on page 179 gives the Index Numbers of prices received by western Canadian farmers for No. 1 Northern Wheat and of prices paid for 147 items of things that farmers buy. The Table takes a base of 100 in the year 1914, and you will see the relative prices of things the farmer had to buy and the prices he received for the things he sold. When you come to 1931, the price he received for his wheat was 67 in relation to 100, and the price of the things he had to buy was 138 in relation to 100, so there was a wide disparity between what he got and what he had to pay for the things he bought.

THE CHAIRMAN: There was a period when he got very much more than he had to pay for the things he had to buy.

HON. MR. DAVIS: Yes, that was the result of general production. In 1937 the position has been rectified. The price received by the farmer is 153 in relation to 100, and the price he had to pay was 134, but unfortunately when the figures are favourable there is no crop and he has no money to buy anything with.

THE CHAIRMAN: Prices were about even in 1930, 154 and 155.

HON. MR. DAVIS: I noticed that. That is about the closest it gets all the way through. These are interesting figures, Mr. Chairman.

Then page 180 refers to Reserves:

"Any cash reserves possessed by the average farmer were exhausted long before he could make adjustments to 40 cent wheat."

Then we deal with Rural Relief. The paragraph at the bottom

of page 180 is a historical account of the method by which this relief problem has been handled and of the method of distribution of relief. There is not much to be gained by my reading it through because it is largely historical and refers to the figures which I gave at the outset when dealing with the Financial section. It shows the large amounts of money that have been spent for relief in the province.

Page 182 deals with the Voluntary Rural Relief Committee, and here I should like to express on behalf of the government our appreciation of the kindness of the people of the rest of Canada to the people of our province, and we trust that the sentiments which actuated these people will also be exemplified in the very important work of this Commission. I should like to read the paragraph at the bottom of page 182.

VOLUNTARY RURAL RELIEF COMMITTEE

"Governments were not left to bear the burden of relief unaided. Churches, welfare organizations and individuals both inside and outside the province played an important part in the alleviation of distress through the distribution of hundreds of carloads of fruit and vegetables, clothing, fuel and other necessities, collected from every province in the Dominion. In 1931 when distribution was handled through the Commission assisted by local voluntary committees, 249 carloads, consisting largely of vegetables, fruit and clothing, were received for distribution. In 1932 the voluntary agencies decided to pool their efforts and organized the Saskatchewan Voluntary Rural Relief Committee to work in cooperation with the Commission. The demands to be met were much lighter than in the

"previous year, but the Committee collected and distributed 50 carloads of vegetables, fruit and clothing and 3 carloads of feed and fodder, together with 64 carloads of coal donated by the mine operators of the province for distribution among the needy schools of the relief area.

Widespread distress followed the short crop of 1933 so that during the winter of 1933-34 the Voluntary Relief Committee distributed 279 carloads of vegetables, fruit and clothing, 6 carloads of flour and feed grain, and 60 carloads of coal for schools. Faced by an even worse situation in the winter of 1934-35 the activities of the Committee were extended; 320 carloads of vegetables and fruit were distributed, 100 cars of coal for schools and upwards of 60 tons of clothing. Following further crop failures over wide areas in 1935, 1936 and 1937, the Committee, the Red Cross and other private relief agencies redoubled their efforts to provide vegetables, fruit, blankets and clothing in repeatedly afflicted areas."

I will also read the footnote on page 183.

"For the relief season 1937-38 the Committee had collected and distributed to November 2, 1937, 745 carloads of vegetables, fruit, canned goods, clothing, etc."

That is a tremendous quantity of goods that came from the rest of Canada and indicates how all Canada and the whole Canadian people came to the aid of the people of this province through these bad years, and particularly in this most distressful year of 1937.

Now I go on to page 187 where we deal with the Farm Debt of the province:

"The nature and the rapidity of agricultural development made Saskatchewan essentially a debtor community, but depression and drought have increased sharply both the absolute and relative burden of farm debt."

I think that indicates very clearly the purport of this whole section.

THE CHAIRMAN: Have you figures indicating the total farm debt?

HON. MR. DAVIS: Yes, Mr. Chairman, we are coming right to that. We will pass over pages 188, 189, 190, 191 to 192, where we deal with debt adjustment. We have with us this afternoon both Mr. Byers, who is the Chairman of the Debt Adjustment Board of the province, and Mr. Sibald, who has been in charge of the Committee carrying out the voluntary debt adjustment scheme that the province entered into with the municipality and creditors, and possibly we can have a word from them later, if it is desired. Page 192 deals with Debt Adjustment, and I should like to read the first paragraph.

THE CHAIRMAN: I see that on page 190 you have a Table giving a summary of the average farm indebtedness of owner operators in Saskatchewan, from 1930 to 1935.

HON. MR. DAVIS: Yes.

THE CHAIRMAN: Has it changed materially since that date?

HON. MR. DAVIS: I do not think so. Professor Allen, who secured these figures, will be here in the morning. I thought it might be well to have him come down, if you wanted to ask him anything about these figures.

THE CHAIRMAN: I am astonished at the amount of indebtedness per farm in certain districts.

PROFESSOR BRITNELL: That is accounted for in a number

of ways and in part because of the fact that on certain soil types they were able to borrow a good deal more than on other types. In Brokenshell, the soil type was low, for instance, and you could not have a very high burden of debt there because you could not borrow much on that soil type. It is a case largely of the size of the farm in certain areas. In certain districts you can spread the farming operations over a large area, whereas in others you do not.

HON. MR. PATTERSON: I would point out that the rural municipality of Scott is in the Regina Plains. That is the explanation of the figures for Scott. The average area per farm for Scott is 704, and the average debt per farm \$14,000 odd.

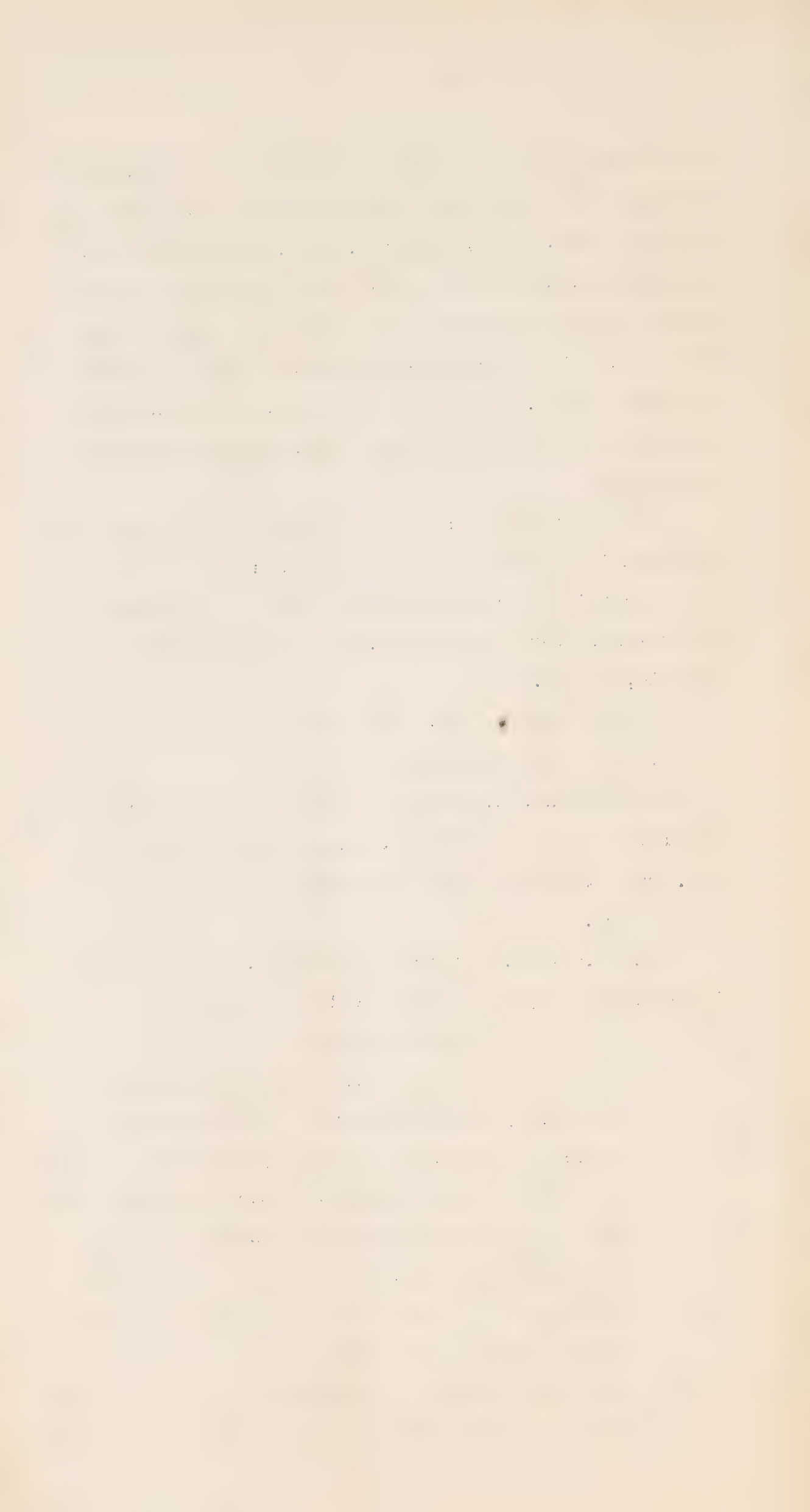
HON. MR. DAVIS: Yes. The average debt per acre of crop land for Scott is \$24.29.

THE CHAIRMAN: A loan of \$20 an acre is a pretty substantial loan if you have a large tract of land like that, but I suppose at that time land was selling for \$100 an acre.

HON. MR. DAVIS: It was, at one time. Now I should like to read the paragraph at the top of page 192.

DEBT ADJUSTMENT

"To protect the farmer against insistent creditors, debt postponement legislation was passed in 1931 and has been supplemented by amendments and further measures in each succeeding year. Two of the most significant measures were the Debt Adjustment Act, 1933, which deprived the creditor of the use of the machinery of the Courts for the collection of debts unless the creditor had first secured the permission of the provincial Debt Adjustment Board to bring the action, and the



"Limitation of Civil Rights Act 1933, which effected a revision of the terms of existing contracts such as mortgages and agreements for sale of land by restricting the creditor's rights to collection of the proceeds of one-third of the crop grown in any one year less one year's taxes, regardless of the terms of the original contract.

Reductions in indebtedness secured to December 31, 1936, by the Saskatchewan Provincial Debt Adjustment Board amounted to slightly more than \$1,000,000. Privately arranged adjustments were doubtless of greater importance, but there is no way of estimating even approximately the amount of such reductions."

There has naturally been a considerable amount of voluntary debt adjustment as a result of the operations of the Debt Adjustment Board. The government naturally does not know just how much debt is being adjusted voluntarily, but we do know that a large amount of voluntary debt adjustment has been going on in the province. I quote again from page 192.

"The rapidly increasing burden of agricultural debt and the natural reluctance of creditors to reduce their claims brought pressure for governmental intervention. To facilitate debt adjustment the Dominion government passed the Farmers' Creditors Arrangement Act.

By the beginning of November 1937 nearly 4,000 Saskatchewan farmers had secured reductions amounting to slightly more than \$10,000,000 through the agencies operating under this Act."

I was told by one of the members of the Board of Review that they are now approximately one year behind in their work, and that the cases are coming forward more quickly than they are able to deal with them, and therefore they

are going steadily behind in their work. I think something should be done, and we have urged this upon the Dominion government. This problem of debt adjustment has to be dealt with, and it is within the legislative jurisdiction of the Dominion government, as the courts have indicated. All we can do is to utilize the power of postponement, but the Dominion government should see to it that there are sufficient facilities provided in order that the work may be caught up with and kept up to date.

THE CHAIRMAN: Mr. Davis, if you had additional facilities, another Debt Adjustment Board or such additional facilities as would be necessary to deal with all applications promptly as they came in, would that satisfactorily solve your private debt problem?

HON. MR. DAVIS: Well, I think after all the only satisfactory way to deal with the debt problem is on an individual basis. I do not see how you can deal with it by blanket legislation, because those entitled to relief might not get sufficient relief, and those not entitled would get something to which they were not entitled. The only satisfactory way is to deal with it on an individual basis, and the only power to deal with it is in the federal government, which has jurisdiction in bankruptcy and insolvency. They should make available a sufficient number of boards to carry out the work in this province. Another one would be of material assistance. Once it gets operating and the principles applied by the board over the province are well known, it will facilitate voluntary debt adjustment because the creditor knows that if he goes to the board he is going to receive only such and such treatment and he would rather come to a voluntary agreement than have one arbitrarily forced upon him by the board.

There is one other case I should mention in this connection, and that is the difficulty of the urban dweller. He has very little protection now. He does not come under the Farmers' Creditors Arrangement Act, and the bankruptcy provisions are very little use to the small owner in the urban centres. His position is a very difficult one, and something should be evolved whereby the federal authority could be utilized to help that class. That would be of very material assistance.

THE CHAIRMAN: Are you speaking of the small property owner in the city, or where do you draw the line, if any, in dealing with indebtedness in urban municipalities?

HON. MR. DAVIS: I think that the class which suffers most in the urban centres is the home owner in the cities. I think that mortgage loans on homes are largely concentrated in the cities. Mr. Byers could tell me that. Is that correct, Mr. Byers?

MR. N.C. BYERS: I think so. There is very little except in the larger centres.

HON. MR. DAVIS: Regina, Saskatoon, and Moose Jaw. There are very few mortgage loans in the smaller places, except private loans as between individuals.

THE CHAIRMAN: There are very few companies, I should think, who would want to foreclose and take over property. I should think they would go to almost any length rather than take over the property, if there was any chance of the debtor paying even the rental for the property.

HON. MR. DAVIS: I think in fairness I should say that that has been the tendency. Have you the figures, Mr. Byers, of foreclosures in the three larger cities?

MR. BYERS: The actual number of foreclosures in the cities is only a couple of hundred odd.

HON. MR. DAVIS: I think about a year ago there were

127 foreclosures in eight cities of the province.

THE CHAIRMAN: Your Act applies to cities as well as to farms, does it not?

MR. BYERS: It covers everybody.

THE CHAIRMAN: So that no mortgagee can take proceedings for foreclosure unless the court grants him permission?

MR. BYERS: Correct.

THE CHAIRMAN: And the court can only grant permission if the debtor was foolish?

HON. MR. DAVIS: And that permission is only granted when the surrounding circumstances necessitate it. It must be a last resort.

MR. BYERS: As the Chairman has said the creditor does not want the property, and as a rule we do not get notice of an intention to foreclose on any property until both mortgage, interest and taxes are greatly in arrears.

HON. MR. DAVIS: Page 193 goes on to recite the operations of the Voluntary Debt Adjustment scheme that we have put into effect. I will read the paragraph on the top of page 195.

"Reductions effected on mortgages and agreements of sale to November 10, 1937, amounted to \$24,031,990--

That is a write-off of interest:

"--and on tax cancellations to \$20,571,291.

It is estimated that a further write-off of mortgage and land contract indebtedness will bring the total reductions under this heading to \$26,000,000 by the end of 1937, and that tax reductions will amount to approximately \$22,000,000 and the relief write-off to \$31,000,000 under the scheme."

That is, there has been a total of roughly \$80,000,000 written off at one fell blow by virtue of that arrangement.

We also succeeded by virtue of that same arrangement in getting the mortgage companies to reduce their interest to six per cent. The interest rate had been 8 per cent on the average, but by virtue of this arrangement there was a reduction to 6 per cent, something we had not succeeded in doing through the operations of the Farm Loan Board, in which we invested over \$16,000,000 and got nowhere. But under this arrangement we succeeded in getting a reduction of interest to 6 per cent, which meant a saving of over \$4,000,000 a year to the farmers.

Then page 194 gives the total estimated agricultural debt.

THE CHAIRMAN: The mortgage debt is \$173,000,000?

HON. MR. DAVIS: That is first mortgages. Mr. Sibbald, who prepared this schedule, is here.

THE CHAIRMAN: "Subsequent Mortgages" I suppose means second mortgages?

HON. MR. DAVIS: Second mortgages largely. The next item is \$104,000,000, Agreements of Sale. That is where a piece of land has been sold; the ownership of land has been transferred from one individual to another. The next item is Direct Relief and Agricultural Aid, \$54,000,000.

THE CHAIRMAN: Is that the part that was written off?

HON. MR. DAVIS: That is exclusive of repayments and of cancellations. The future will tell what will happen to them. It will depend on the treatment received by the province from Canada.

THE CHAIRMAN: \$525,000,000 is the total agricultural debt?

HON. MR. DAVIS: Yes.

PROFESSOR BRITNELL: Page 195 points out:

"The total agricultural debt of \$525,000,000 as at the end of 1936 will probably have been

"reduced by some \$83,000,000 through debt adjustments made in 1937."

There will be certain additions for this year's taxes, interest and relief charges.

HON. MR. DAVIS: I quote from the top of page 196:

"Thus, the remainder of the burden of agricultural indebtedness in the province of Saskatchewan at the end of 1937 must be in the neighborhood of \$482,000,000 which sum is equal to a debt of nearly \$15 per acre of crop land."

THE CHAIRMAN: As I understand it, in these drought areas where an arrangement was made with the loan companies, the new agreement contains a provision that if there are no crops, no interest becomes due, is not that it?

PROFESSOR BRITNELL: Nothing comes due, but the interest is added, and still continues at 6 per cent.

THE CHAIRMAN: But there is no default?

HON. MR. DAVIS: There is no default. That shows the terrific burden of debt and it has all been incurred in thirty-five years in the haste of opening up this country in a hurry for the benefit of the rest of Canada.

THE CHAIRMAN: I suppose it is inevitable that the average settler who comes in and wants to erect a house and develop his farm will borrow if he has not the amount necessary to put up his house. I suppose most of these loans were probably for buildings and improvements to the farm?

HON. MR. DAVIS: I would think so.

THE CHAIRMAN: Except in the days when farm prices got so high and some of the farmers bought more land.

HON. MR. DAVIS: Yes, and they also borrowed to consolidate their indebtedness. After all this was a new country and the class of people who came in had very

little in the way of wealth. They had stock and equipment and naturally they had to borrow to improve their lands, and the money they borrowed has been invested in these lands from outside. I have some figures here from Mr. Sibbald, on the size of the debt. Red and blue areas are indicated here for debt adjustment purposes, and one area of the province is marked out where the scheme was applied. The general scheme did not apply all the way through. An examination was made into the necessity of every mortgage, and it is indicated just where these mortgages are held in the red and blue areas. The debt is held 26.3 per cent in the province and 73.7 per cent outside the province. That is mortgage debt. The estimated total for Saskatchewan is 33.1 per cent held by our own people and 66.9 per cent held by outsiders. That is indicated by the actual figures from a survey of 174 municipalities out of 302. It involved \$100,000,000.

THE CHAIRMAN: I did not realize that that settlement covered so large an area. It covers more than half the municipalities of the province.

MR. DAVIS: More than half the municipalities, or approximately half. There would be twenty local improvement districts, and if you deduct that from 174, it leaves 154 rural municipalities. That would be approximately half the settled portion of the province.

You asked, Mr. Chairman, what caused this debt. Professor Britnell calls my attention to paragraph 5 on page 196:

AGRICULTURAL DEPRECIATION AND DISINVESTMENT

"Whereas the increasing agricultural debt of Saskatchewan during the boom period of the late twenties was associated with an increase in earning assets, the increasing debt of the de-

"pression period has been associated with the steady deterioration of farm machinery and buildings, reduction of reserves of feed, seed and supplies and drastic shrinkage in capital expenditures on all forms of new equipment. Consequently, "since 1929, on the basis of studies made by the University of Saskatchewan, it is estimated that the farm equipment of this province has suffered a cumulative deterioration of at least 50 per cent. Buildings, fences and in many cases even the lands used for cultivation have also deteriorated heavily. Reserves of feeds and supplies have been exhausted, and much is needed to make up for the drains of the years of poor crops. In the farm homes household equipment, furnishings and clothings, and even the people of the farm, bear pathetic testimony to the depleted revenues."

And so with the increasing debt has come a deterioration of the farm itself, of the farm machinery and buildings, household equipment, and "even the people of the farm bear pathetic testimony to the depleted revenues".

THE CHAIRMAN: That would be an increase in the other classes of debt, not mortgage debt. There would be no new loans?

HON. MR. DAVIS: Virtually none.

COMMISSIONER MacKAY: How much of these debts was accumulated in the period before the depression?

MR. A. S. SIBBALD: The land mortgage debt was incurred almost wholly before the depression, but when you come to such items as relief and agricultural relief, it is almost entirely the other way. That was very largely incurred since the depression, and similarly with arrears of taxation, although there one cannot generalize to the

same extent, but where there were arrears before, the bulk of them have been lumped together and make up the total on page 194 that has been referred to.

COMMISSIONER MacKAY: The agreements for sale would be almost wholly before the depression, would they not?

MR. SIBBALD: Yes, but not to quite the same extent as the mortgages.

COMMISSIONER MacKAY: You say largely, not wholly?

MR. SIBBALD: Largely.

COMMISSIONER MacKAY: The debt to the implement companies would be largely incurred before the depression period.

HON. MR. DAVIS: Yes, you can see that from the tractor sales. I have said that there were only 1,300 sold in the last six years, and the same thing applies to combines and other farm implements.

Page 196 deals with farm machinery and equipment, and we go on to show their condition as a result of the depression period. On page 199 I should like to quote the last sentence in the first paragraph."

"If the reasonable assumption is made that the machinery and equipment reported in the census of 1931 is adequate and appropriate for Saskatchewan farms, the cumulative deficiency since that date would amount to about 35 per cent of the 1931 values of 186 million dollars."

Then Farm Buildings are dealt with on the same page, and it shows their deterioration through lack of ability to maintain them.

MR. ST. LAURENT: I was comparing the arrears of taxes shown in the statement on page 194 with the total arrears of taxes shown on page 421, which shows a total of approximately \$25,000,000 for tax arrears in 1935, and \$42,000,000

is shown as the arrears of taxes as at December 31, 1936, in the Table on page 194. Would there be \$17,000,000 added for 1936?

MR. SIBBALD: I do not think there would be that much added.

HON. MR. DAVIS: How did you get that estimate of \$42,000,000, Mr. Sibbald?

MR. SIBBALD: That was from the reports of the Department of Municipal Affairs.

HON. MR. DAVIS: I remember one statement at the beginning that the total arrears, urban and rural, were \$52,000,000. That would be about correct--\$42,000,000 rural, and \$10,000,000 urban.

MR. ST. LAURENT: I was quoting from the table on page 421, the fifth line.

HON. MR. PATTERSON: You must add your tax sales certificates to that. So far as the owner of the land is concerned he owes the taxes, whether it is in the arrears column of the assessment roll or in the form of a tax sale certificate.

HON. MR. DAVIS: Page 199 deals with an examination of the deterioration in farm buildings, and that is continued over pages 200 and 201, and then on page 202 farm household furnishings, clothing and so forth are dealt with, and the last paragraph on that page shows the amount that would be required to restore these items to the moderate standards of 1929. It shows that at least \$200,000,000 would be required to repair the deterioration that has taken place in farm machinery, equipment and buildings, in the furnishings and equipment of the farm home and in the clothing of the rural population. That is a very important section of this brief, Mr. Chairman because it concerns the welfare of the people, and until the finances

of the government may be rectified by an additional subsidy or something of that kind, nothing can be done to remedy the condition of the people.

COMMISSIONER ANGUS: How do you expect that to be replaced, Mr. Davis?

HON. MR. DAVIS: I do not think that any policy can ever be pursued by the state stepping in to replace it, but if the farmer himself had a reasonable opportunity he could replace it himself, if there was not so much exacted from him by way of tariffs.

COMMISSIONER ANGUS: He could do it by his own effort or by borrowing?

HON. MR. DAVIS: By his own effort I think he could do it gradually.

THE CHAIRMAN: What is true here of agriculture is true of agriculture all over, but not to quite the same extent, because you have suffered more than others from the drought, and you have suffered more than the mixed farming areas by reason of your dependence on wheat, and by the price of wheat having fallen so low. But subject to these qualifications, I should think that what is true of agriculture here is true of agriculture all over Canada.

HON. MR. DAVIS: Yes, that may be. I am not so well acquainted with conditions elsewhere in Canada, but I know the seriousness of the situation in this province. That leads me to the point which I said this morning I hoped to reach this afternoon.

THE CHAIRMAN: You are right on the dot.

HON. MR. DAVIS: To-morrow we might proceed with Part VII. I do not know that we can go quickly through Part VII because it is a very important section dealing with the tariff.

The Commission adjourned at 4.30 p.m.
until 10.30 a.m., Tuesday, December 14, 1937.

ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

REPORT OF PROCEEDINGS

DEC 14 1937

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REGINA, SASKATCHEWAN, DECEMBER 14, 1937.

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ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

REGINA, SASKATCHEWAN, DECEMBER 14, 1937.

The Royal Commission appointed to re-examine the economic and financial basis of Confederation and the distribution of legislative powers in the light of the economic and social developments of the last seventy years, met at the Legislative Buildings, Regina, Saskatchewan, on Tuesday, December 14, 1937, at 10.30 a.m.

PRESENT:

HON. CHIEF JUSTICE NEWTON W. ROWELL....CHAIRMAN

DR. JOSEPH SIROIS)	
JOHN W. DAFOE, Esq.)	
DR. ROBERT ALEXANDER MacKAY)	Commissioners
PROFESSOR HENRY FORBES ANGUS:)	

Commission Counsel:

Louis S. St. Laurent, Esq. K.C.

Secretariat:

Alex. Skelton, Esq.	Secretary
R. M. Fowler, Esq.	Legal Secretary
Wilfrid Eggleston, Esq.	Assistant to the Secretary
Adjutor Savard, Esq.	Secrétaire Français

FOR THE GOVERNMENT OF SASKATCHEWAN:

Hon. W. J. Patterson	Premier
Hon. T. C. Davis	Attorney General
Hon. J. M. Uhrich	Minister of Health
Hon. J. W. Estey	Minister, Education
Professor V. C. Fowke	University of Saskatchewan
Professor J. Mitchell	University of Saskatchewan
F. C. Cronkite, K.C.	Dean, College of Law
J. R. Taylor, C.A.	Supt., Revenue
T. A. Lax, F.C.A.	Provincial Auditor
N.C. Byers, Esq.	Chairman, Debt Adjustment Board
A. S. Sibbald, K.C.	Debt Adjustment Board
S. Quigg, K.C.	Attorney Gen'l's Dept
G. W. Myers, Esq.	
Mayor A.C. Ellison	Regina
S.P. Grosh, K.C.	Chairman, Local Government Board
L. Jacobs, C.F.A.	Municipal Affairs
W. McEwen, K.C.	
W. J. Hansen	Dept. Agriculture

FOR THE SASKATCHEWAN SCHOOL TEACHERS ASSOCIATION:

W. Little, Esq.

Legislative Buildings,
Regina, Saskatchewan,
December 14, 1937.

MORNING SESSION

The Commission met at 10.30 a.m.

THE CHAIRMAN: Very well, Mr. Davis.

HON. MR. DAVIS: Mr. Chairman, yesterday Mr. St. Laurent drew the attention of Mr. Sibbald, of the Voluntary Debt Adjustment scheme, to a certain discrepancy in certain taxation figures. Mr. Sibbald has given me an explanation of the discrepancy and I am now going to file it.

MR. ST. LAURENT: Mr. Sibbald has explained to me how the figures may be reconciled, and his explanation makes it quite easy to understand the two sets of figures. I think it would be of interest to have this go on the record.

EXHIBIT NO. 57: Statement by Mr. Sibbald
reconciling two sets of
taxation figures.

HON. MR. DAVIS: Mr. Chairman, we are approaching Part VII of this brief, a part which we in the west believe to be very, very important. I approach it with diffidence. I do not want unduly to stress these sections, but almost living this thing as we do, we are naturally inclined perhaps unduly to stress some of these things, but that I think is only natural.

THE CHAIRMAN: Mr. Davis, I think you should present them just as you think they should be presented.

HON. MR. DAVIS: I have prepared a short statement, Mr. Chairman, which I should like to read to the Commission as it gives the underlying thought back of our minds in the presentation of this section, and if we unduly stress these matters, you will understand that back of it all is the underlying philosophy

of the government of Saskatchewan.

When the Commission rose yesterday, Mr. Chairman, I had completed my observations upon the material appearing in the Saskatchewan Brief to the end of page 202. This brings us to a consideration of Part VII, entitled "Particular handicaps in the Economic Life of Saskatchewan," beginning at page 203. It will be necessary for me to make only brief remarks by way of introduction to the material appearing in this part.

The first paragraph appearing on page 203, reads as follows:—

"While it has been deemed essential that the material appearing in this Part should be placed before the Commission, the government is anxious that it should not be charged with basing its case on narrow claims of inequality as against the other provinces. The position has been taken that the existence of a federal state must be recognized, as well as nine provinces, the local autonomy of which must be preserved. The goal is to discover how best national unity may be guaranteed, the essential nature of the federation preserved and a full life attained for the people of the various provinces."

It will have been observed by the members of the Commission that the national outlook has been emphasized throughout this brief. Incidentally, I may say that last summer I had the privilege of attending the Empire Parliamentary meetings in England and I was profoundly impressed by the regard in which Canada was held, among other things as the interpreter between Great Britain and the United States. I was impressed by the thought that these nations, including Canada, have a tremendous

opportunity for exerting a wholesome influence in world affairs, and it is essential that Canada be a united nation.

As I have said, the government of Saskatchewan has consistently adhered to the opinion that the national viewpoint must not be lost sight of. Among other things, constitutional amendments will be recommended which will definitely ensure the Parliament and Government of Canada of a capacity to implement treaties entered into as a diplomatic unit, and, generally speaking, to deal effectively with matters touching the life of the nation. In this regard it is freely admitted that the transcontinental transportation system, monetary and customs policies, are and must remain matters of national concern.

Now it requires only an elementary knowledge of mathematics for the purchaser of a motor car in Saskatchewan to realize that he would be money in pocket if permitted free access to the markets of the United States. It may also be predicted that the people of Western Canada will employ their best efforts in the direction of shaping national policies in the direction of lower tariffs. But I desire to point out that the material contained in Part VII is not being approached from this standpoint. May I state our position? It is this: let us concede national policies to be as they are. What is their effect? It is contended that if there are to be national policies and if there are to be separate provinces existing as cultural units, then the effect of these policies on those units must be considered. Put in another way, if the effect of these policies has been to give an accidental benefit, resulting in an accumulation of wealth, to any section, then the national financial policies must be moulded according-

ly. In an earlier portion of this brief, for instance, we have given reasons based on economy and convenience, why succession duties should be considered as a national tax. The result would be to put at the disposal of the national government certain funds. We would ask that these funds be employed in a national manner.

In other words, if customs taxation be according to a national ideal, so also must all the policies of the central government, looking to the peace, order and good government of Canada. If a national policy, as for instance the protective tariff, operates to the accidental advantage of one section, so also must the fruits of such policy be employed nationally, and it would seem to follow as a corollary that the sections which bear the burden of the tariff should get the benefit of other national policies. We ask that the whole problem shall be considered from the national standpoint. If national policies give certain sections an advantage, so also must other national policies be directed to the relief of areas which have suffered.

It was stated at an earlier sitting that the incidence of the protective tariff would be considered. From the national point of view we ask that all the material in Part VII be considered. With that plea I shall read the second and third paragraphs on page 203:--

"It is submitted that the several matters here treated of are very relevant to this inquiry and should be considered when adjustments are being made with respect to the ideal as stated above. To allege a handicap is not to ascribe blame to any other province or section; yet the handicap may be so serious as to require attention when a

"truly national policy is being formulated. It is believed that every province is prepared to make concessions in order that the provinces may be developed within the federal system. Certainly the attitude of the people of other provinces in making voluntary contributions to the drought-stricken areas of Saskatchewan indicates a sympathetic understanding. National unity is not incompatible with provincial development."

There has been no hesitation in expressing the opinion that certain national policies bear so hard upon the economic life of this province as to make a satisfactory development very difficult, if not impossible. Here again, compromise will be necessary.

That is the viewpoint, Mr. Chairman, with which we approach these particular sections of this brief, and if I unduly stress the incidence of the tariff, it will be always with the thought in mind that is expressed in the statement I have just read.

We come now to the section dealing with Transportation and Freight Rates.

Transportation and Freight Rates

As I indicated yesterday, Mr. Chairman, this section of the brief was prepared by Mr. W. H. McEwen, of Regina, who is here with me this morning, and who represented this province some years ago in the general freight rates inquiry, and was for about sixteen or eighteen months engaged on that work, and therefore became particularly well acquainted with the whole problem. He has prepared this section, which is a most important one, and is prepared to deal with any particular portion upon which the Commission may like to ask questions.

Starting at page 203, I should like to read the first three lines that appear under the heading of Transportation and Freight Rates:

"The Province of Saskatchewan is, and will continue to be essentially an agricultural province. The production of wheat, primarily, together with other field crops has been and will continue to be of dominant importance."

The next paragraph deals with Agriculture and Industry:

AGRICULTURE AND INDUSTRY

"In the case of manufactured products, the expense of transportation is normally added to the manufacturers' costs, and passed on, and eventually paid by the consumer in the prices which the consumer pays. A manufacturer can ascertain his costs in advance. From a survey of business conditions throughout the territory where his market lies, he can closely estimate the probable demand for his goods, and regulate his output accordingly. By organization of fellow manufacturers he can avoid violent fluctuations in prices. He can take advantage of markets favourable to him in the purchase of his raw material. In agriculture the situation is quite different. Ordinarily the producer cannot know in advance what his costs of production will be. He cannot anticipate yield or grade, these being so largely dependent upon weather, namely too little or too much moisture, late seasons, excessive heat, early frosts, and unfavourable harvesting

"conditions. His production is affected by disease, pests and various contingencies over which he has no control. The farmer's production is seasonal. In manufacturing it is continuous. If the price of manufactured goods declines, the manufacturer may curtail his output. In agriculture this is virtually impossible."

That section merely draws the distinction wellknown to every one of the difference between carrying on an agricultural industry and other industries as we know them. The next paragraph contains the same idea, and I would quote one sentence about midway down, which we referred to yesterday:

"It is estimated that the cost of transporting a bushel of wheat from the Saskatchewan farm to world markets, including the usual handling charges and insurance, is normally about 35 cents per bushel. If the price is high, such transportation and handling charges may be easily borne, but when the price is low, such costs may mean the production of the wheat at a substantial loss."

THE CHAIRMAN: Mr. Davis, yesterday I think you figured out that the cost of transportation, elevator and commission charges amounted to about 20 cents to Fort William for the farmer.

HON. MR. DAVIS: Yes, Mr. Chairman.

THE CHAIRMAN: And then I see it is about 15 cents from Fort William to the Liverpool market?

HON. MR. DAVIS: Each item making up that 35 cents is set out in this brief, if I could just put my finger on it.

THE CHAIRMAN: One of your assistants can turn it up and you can deal with it later, Mr. Davis.

HON. MR. DAVIS: We shall come to it this morning. Every detail of that figure of 35 cents is set out.

THE CHAIRMAN: All right, thank you.

HON. MR. DAVIS: My object in reading that section is to indicate the importance of transportation charges to a province like Saskatchewan which must send everything it produces to the markets of the world.

Then we come to the Transportation Disabilities of Saskatchewan, and I should like to read the bottom paragraph on page 204 and the following paragraph on page 205 down to Rate Structures

Transportation Disabilities of Saskatchewan

"What is true of an agricultural community generally, applies particularly to the province of Saskatchewan, for a number of reasons:

1. Because of its geographical position. It is located in the heart of the continent, far distant from either coast. It is separated from the Pacific Coast by high mountain ranges, where the cost of constructing, maintaining and operating lines of railways is abnormal. It is far distant from Atlantic Ports, and in addition is separated from the central provinces of Ontario and Quebec by a thousand miles of rocky country, covered with stunted forest products producing little, if any, revenue freight to reduce the costs of transportation lines; separated also from the maritime ports by a huge area of non-productive territory east of the province of Quebec.

2. By lack of water routes and competing foreign railway lines. In eastern Canada railway rates have

"at all times been maintained on a lower scale by Railway Companies to meet the competition afforded by natural waterways and canals, constructed at a tremendous national expense, and by American Railway lines built into Canadian territory. This explanation of the lower freight rate basis in Eastern Canada, as compared with Western Canada, has been given by the Railways in all the Freight Rates Investigations conducted by the Board of Railway Commissioners since the inception of that Board, and has been accepted by the Board as a justification for such lower rate structure."

Then we come to an actual comparison of these rates, which indicates that the consumer in the provinces of Ontario and Quebec enjoys a lower rate structure than we have in western Canada, and the reason given is by virtue of water competition, which in turn has been financed as part of a great canal system at the national expense.

"3. From the concentration of manufacturing in the central provinces of Quebec and Ontario. Such concentration it has been argued, is due to the national policy inaugurated many years ago, and the extension of that policy from time to time. In any event, merchandise of practically every description consumed in the province of Saskatchewan, is priced to the Saskatchewan consumer on the basis of the high cost of transportation from such central markets, with markups thereon by the different persons through whose hands such merchandise passes before it reaches the ultimate consumer."

I tried to stress yesterday that we have to send out of the province for everything we consume, except the

goods produced from our own natural products, and everything we bring in has to come over this long railway haul, thereby increasing the costs to the consumer in Saskatchewan:

4. From tariff barriers which have been erected from time to time against foreign goods and products, compelling the movement of such goods and products over long hauls east and west, and preventing the movement of such goods on shorter hauls from the south. Separated by an invisible line is the vast territory of the United States, with its great industries, manufacturing goods in large volume, at low costs, for its millions of people. Western Canada must purchase its goods from the highly protected industries of the central provinces, at prices which include the cost of transporting these goods from such distant points, to which cost additions are made as the goods pass from the manufacturer to the jobber, from the jobber to the retailer, and from the retailer to the consumer." It has been deemed to be in the national interest that the national policies should cause traffic in Canada to flow east and west, but if that was not there and things took their natural course, we in Saskatchewan would start to deal north and south, and goods would flow between us and the United States where there is a much reduced rail haul, and that, of course, would lower the cost of living in Saskatchewan.

THE CHAIRMAN: How do your freight rates on wheat compare with the freight rates in United States?

HON. MR. DAVIS: I think they are lower.

MR. MCEWEN: They are lower. I think, Mr. Chairman, that wheat is perhaps one of the very few commodities

on which the rate for transportation is lower in Canada than in the United States, and that, of course, is due to our Crowsnest Pass agreement and the statutory rates which have been set in pursuance of it.

HON. MR. DAVIS: I will now read paragraph five:

" 5. From the fact that the province of Saskatchewan is essentially a producer of primary products largely wheat, but including as well other field products, animals, animal products and dairy products sold at prices fixed by world markets."

This fifth paragraph gives the reasons why we are vitally interested in this matter of freight rates. Then we come to Rate Structures--East and West, and give a comparative examination of the freight rate structure. I am not going to read that, but it is there for anyone who is interested in the subject to read.

COMMISSIONER MacKAY: Might there not be some qualification of paragraph No. 3? The suggestion is that it is the national policy which has caused the concentration of industry in central Canada?

HON. MR. DAVIS: Yes.

COMMISSIONER MacKAY: It may be that the national policy has probably had a considerable effect in that direction, but are there not other considerations, such as the possession of raw materials?

HON. MR. DAVIS: Yes, there are other considerations; I think we will have to admit that. I do not say that the artificial policies applied by man through the instrument of government wholly account for the concentration of everything in those two provinces. They have natural advantages, but those natural advantages have been very much accentuated by national policies.

COMMISSIONER MacKAY: I think in fairness there ought to be that qualification.

HON. MR. DAVIS: Oh yes, I would not attribute the whole thing to national policies.

Then pages 206, 207, and 208 deal with the Rates Structures, and there is one point to which I should like to draw attention at the bottom of page 208, and that is the disadvantage of the province of Saskatchewan as compared with the province of Manitoba. We are now getting a little closer home in the matter of disadvantages. I quote a sentence at the bottom of page 208:

"Thus Winnipeg secures the entire advantage of the assumed mileage, and points west of Winnipeg secure a lesser benefit decreasing with the distance westward."

The distance between Port Arthur and Winnipeg is 420 miles, but for the purpose of computing the rates that is assumed to be 290 miles. That is what is known as the fictitious mileage which exists between Port Arthur and Winnipeg.

THE CHAIRMAN: Why is that?

HON. MR. DAVIS: It has something to do with the general adjustment of freight rates. Perhaps Mr. McEwen could explain the reasons for that.

MR. McEWEN: It is really a very old story and goes back to the very early days of the operation of transportation systems in western Canada. When it came to 1914 and a general survey was made of western rates, and the western rates case was decided, this particular structure was put in, known as a terminal rate structure, covering prairie points and Fort William and prairie points and coast points, such as

Vancouver and New Westminster. It would take quite a long time to tell the history of it all.

THE CHAIRMAN: Then do not take the time.

HON. MR. DAVIS: All we want to do is to draw your attention to the effect of this assumed mileage. While the actual mileage is 420 from Fort William or Port Arthur to Winnipeg, for the purpose of fixing rates they take the mileage to be 290 miles, and that has the effect, so far as Winnipeg is concerned, of giving Winnipeg one hundred per cent of the advantage of this fictitious mileage. But as you move further west, the western points have a less percentage of that advantage. For instance, take the mileage between Winnipeg and Regina. They pay the freight on that, and then they pay the freight on the fictitious mileage of 290 miles, so the effect is that Regina gets 80 per cent of the advantage of that fictitious mileage while Winnipeg gets the full one hundred per cent advantage.

THE CHAIRMAN: You have the same advantage as between Winnipeg and Port Arthur, but it does not operate as equitably in your case as in the case of Winnipeg, you say, because once you leave Winnipeg the actual mileage is taken into account?

HON. MR. DAVIS: Yes, we have the advantage of the fictitious mileage, but it is only a percentage of the total rate, and the further west you go the less relationship the 290 miles bears to the total payment.

THE CHAIRMAN: Has that been reviewed since 1914?

MR. MCEWEN: It was reviewed in the general freight rates investigation in 1926 and 1927.

HON. MR. DAVIS: But nothing was done about it. Then we go over to page 210 and 211, and I will read just one sentence from the second paragraph on page 211:

"The rates for the movement of grain and flour on the statutory Crowsnest Pass basis are admittedly favourable to the producer."

Then we go on to show the tremendous quantity of grains moved out of this province:

"The Railways have claimed and at times attempted to establish that these rates are unprofitable. Grain and flour make up the bulk of freight traffic from Saskatchewan and probably from the three Prairie Provinces. Since the formation of the province of Saskatchewan, up to and including the 1934 crop, the shipments of grain and flax seed from this province (Statistics Branch, Department of Agriculture--Grain Inspection Reports) have totalled:

Wheat	3,660,000,000 bushels
Oats	639,700,000 bushels
Barley	142,400,000 bushels
Rye (from 1917)	53,300,000 bushels
Flax Seed	109,400,000 bushels

At an average freight rate of $13\frac{1}{2}$ cents for wheat, 7.6 cents for oats, 10.8 cents for barley, 12.6 cents for rye, and $13\frac{1}{2}$ cents for flax seed--

That is to Port Arthur:

"--the Saskatchewan farmer has paid in freight rates for transportation of this grain out of the province, the sum of \$579,581,200.00."

He has paid that amount in the establishment of the province of Saskatchewan.

"For the crop year 1928-29 the amount paid out for this purpose was the sum of \$43,500,225.00."

That is, for the movement of grain out of the province of Saskatchewan, in that one year our farmers paid out $43\frac{1}{2}$ million dollars.

"In addition he has paid handling charges of approximately 4 cents per bushel to and at this terminal." That would be added to the $13\frac{1}{2}$ cents in the case of wheat.

"This grain has subsequently supported a Lake Rate of $4\frac{1}{2}$ cents to $8\frac{1}{2}$ cents per bushel to Montreal, and an Ocean Rate of $4\frac{1}{2}$ cents to 14 cents per bushel, together with additional handling charges of at least 5 cents per bushel." And that gives the total 35 cents to which I referred. Still continuing on page 211:

"According to computations made in the 1921-22 Freight Rates Investigation, from information supplied by the Canadian Pacific Railway Company--

This is their own information:

"--the net earnings of that Company for the fifteen year period, 1906 to 1920 inclusive, on Western lines (Fort William and West) amounted to \$388,500,000, and on Eastern lines (East of Fort William) \$174,000,000.00, both figures before deduction of expenses of outside agencies, insurance and taxes which the Company did not allocate between divisions or districts."

That indicates the importance of this province to the railways of Canada. The net earnings of the Canadian Pacific Railway on their western lines were \$388,000,000, and on the eastern lines \$174,000,000.

"On the same basis to December 31, 1921, the net earnings of this Company for a period of $15\frac{1}{2}$ years on Western lines only, amounted to \$405,000,000.00, sufficient to pay total fixed charges and preferential dividends for that period of \$199,381,000, and to pay \$205,000,000 of the total of \$223,000,000 paid during

"that period in ordinary dividends from Railway operations."

These are very, very striking figures, Mr. Chairman, and indicate as I was stressing yesterday the importance of this province in the economy of Canada.

"These figures are given, not for the purpose of making out a case for reduction of freight rates, not in issue at this time--

That is not a matter for this Commission:

"--but to show to some extent how a substantial portion of the wealth produced in the province of Saskatchewan, has been paid out in transportation costs, to the benefit of the whole Dominion. Many additional figures could be given to the same effect. For the years 1921 to 1925, inclusive, the net earnings on Eastern lines of the Canadian Pacific Railway were \$76,996,267.00, and in the same period, on Western lines \$146,161,398.00. During this period the total average operating expenses per mile of line east of Fort William for the four Eastern Districts was \$69,299.00; for the four Districts West of Fort William \$42,303.00. The operating expenses per mile of line in the Saskatchewan District have always been the lowest of the entire system. For the five year period above mentioned an average yearly of \$6,263.00 against \$14,357.00 in the Ontario District. In the Quebec District these expenses were approximately \$2,500.00 a year higher per mile of line than in the Ontario District."

We always bear these figures in mind in connection with railway taxation in this province, the little we get out of them in comparison with what the railways get out of this province.

THE CHAIRMAN: Mr. Davis, I have been here on a number of occasions when wheat was selling at the low price you mentioned yesterday, and one could not but realize the hardship on the farmer to receive such a very small return for his wheat, after the costs of transportation had been paid. I know the reason that you are advancing, and it is quite proper for you to do it, but is there any method whereby that situation could be remedied. Would an amalgamation of the railways make transportation cheaper?

HON. MR. DAVIS: I would doubt very much if it would make it cheaper. Ultimately it might make it more dear to the people of this country. If you ever got down to one railway through amalgamation you would have a body that was equal in importance almost to the government of Canada, and it would be dangerous to Canada to do any such thing. That would be my personal opinion. I continue on page 212:

"It is apparent that the rates, the bulk movements, and operating conditions in Western Canada explain the higher net earnings and why the western wheat crop furnishes the index to prosperity in the Dominion." I do not want to overstress the importance of that, but I do want to stress its importance, the importance of Saskatchewan in the economy of Canada.

Going on to page 213, I want to read the first and last sentences in the last paragraph:

"The Saskatchewan producer wages a continual struggle against geography."

And:

"Thus transportation exacts a high tribute on all Saskatchewan products.

THE CHAIRMAN: There is no doubt of the truth of

that statement.

MR. ST. LAURENT: Before leaving that part, Mr. Davis, I gather from the brief that railway transportation is essential in the economy of Saskatchewan.

HON. MR. DAVIS: Oh yes, absolutely.

MR. ST. LAURENT: And there could not be any advantage in producing wheat without the necessary transportation facilities.

HON. MR. DAVIS: No.

MR. ST. LAURENT: And that is naturally reflected in the track mileage that is in operation in the province of Saskatchewan?

HON. MR. DAVIS: Yes. If Saskatchewan were not here, and the western provinces were not here, as our whole system of railways has been built on an export basis, I say that if we were not here a few wheelbarrows would be all that was necessary to bring the products of eastern Canada to western Canada.

MR. ST. LAURENT: The Table on page 132 shows your mileage in Saskatchewan in 1936 to be 8,624 miles.

HON. MR. DAVIS: Yes, we are second in mileage only to the province of Ontario.

MR. ST. LAURENT: Second in mileage, but by far the greatest mileage per capita of population?

HON. MR. DAVIS: I think so, yes.

MR. ST. LAURENT: From the Year Book I make the figures out to be one mile of railway for each 103 persons.

HON. MR. DAVIS: I think you are right there.

MR. ST. LAURENT: Taking my own province of Quebec, we have only one mile of railway to every 591 of population.

HON. MR. DAVIS: The industries are entirely different.

MR. ST. LAURENT: Yes, the economy of the province is different.

HON. MR. DAVIS: Entirely different.

MR. ST. LAURENT: Yes, and as you say in the brief, the producers of Saskatchewan wage a continual struggle against geography.

HON. MR. DAVIS: Yes, that is true.

MR. ST. LAURENT: Of course, in Quebec we have also the advantage during a large portion of the year of water transportation up and down the St. Lawrence.

HON. MR. DAVIS: Yes, and you are nearer the urban markets.

MR. ST. LAURENT: Yes, but that is an accident of geography.

HON. MR. DAVIS: Yes, we recognize that.

MR. ST. LAURENT: Then with respect to Ontario, the mileage of railway that is required for the services of that province is one mile per 317 of population. But the national economy of Canada has required a capital investment of almost six times as much in railways in Saskatchewan as it has required in Quebec because of the accidents of geography?

HON. MR. DAVIS: Yes, and the figures show that that investment of six times as much has resulted in the Canadian Pacific Railway earning its profits and dividends to the amount I have indicated from the people of Saskatchewan over a fifteen-year period.

MR. ST. LAURENT: Unfortunately the last few years of railway operation have proved to be rather a considerable burden on the economy of the country at large.

HON. MR. DAVIS: Yes. As I said at the beginning, the question of whether or not the railways will pay depends upon the production of wheat in the province of Saskatchewan. Their earnings go up and down with our production of wheat.

MR. ST. LAURENT: But whether or not they pay, their operation has to continue because of the national policy. That is a fact in the economy of the whole country.

HON. MR. DAVIS: Yes. Mr. McEwen draws my attention to the fact that while we have a large mileage, a lot of it is perhaps unnecessary, consisting of parallel lines in various parts of the province.

HON. MR. ST. LAURENT: But I understood you to say that the elimination of that competition might ultimately be disastrous?

HON. MR. DAVIS: Oh yes, as a national policy, but what I have in mind at the moment is two particular stub lines of railway running 26 miles beside one another. The elimination of such useless competition is simply a matter of detail of operation between the two railway companies. I agree with you that that should be done.

Now I turn to page 214:

" INCIDENCE OF HIGHER TRANSPORTATION COSTS

"On the other hand the Saskatchewan producer and consumer pay high transportation charges on everything consumed or used in the province, originating outside the province or moved within the province. While these transportation costs press with disproportionate weight on the consumer in Saskatchewan, as compared with the consumer in the more favourably located provinces of the Dominion,

"it is also important to remember that these costs are elements as well in the relative costs of production of agricultural and other products in Saskatchewan and central Canada.

From the standpoint of the consumer, while the increase in the price of a pair of shoes by reason of the additional transportation cost, may seem so small as to be insignificant, when it is considered that this additional cost is added directly or indirectly to the price of everything the consumer purchases, it must be recognized that the purchasing power of the Saskatchewan consumer is seriously affected and his standard of living reduced. From the standpoint of the producer whose position with regard to the sale of his products has been previously referred to, there can be no doubt that high transportation costs have placed the producers in the province of Saskatchewan under a severe handicap in competition with producers more favourably situated in relation to the centre of manufacturing activity in the central provinces. That this handicap as regards implements of production, automobiles, motor trucks, machinery and equipment, is not theoretical but very substantial, is apparent from the comparative prices in the following table. The disparity in these prices is almost entirely accounted for by the additional cost of transportation as follows."

Then we give a list showing the comparative costs of a low-priced passenger automobile at Regina and Windsor. Because of the higher transportation cost, that automobile costs \$1,145 in Saskatchewan and \$1,021 in Ontario, the difference representing the additional

freight that we must pay to bring that automobile from Ontario to the consumer in Saskatchewan. Then a medium-priced passenger automobile costing \$1295 in Ontario costs \$1,425 in Saskatchewan. A light delivery truck costing \$790 in Ontario costs \$910 in Saskatchewan. A $1\frac{1}{2}$ ton Truck costing \$965 in Ontario costs \$1095 in Saskatchewan, and a 2 ton truck costing \$1145 in Ontario costs \$1295 in Saskatchewan.

The table goes on to give comparative prices of smaller units, showing the additions for freight as between Regina and Toronto, and the items that appear at the bottom of page 214 represent the freight item only. On electric ranges, the freight we have to pay on a small model is \$6 as compared with \$1.50 freight that Ontario pays. The additional freight we have to pay on washing machines is \$5.00. Then Agricultural Implements we are particularly interested in, in this province, and prices are given for Moose Jaw, Saskatoon, and Toronto. An 8 foot binder costs \$256 in Ontario and \$291 in Saskatchewan. A power binder costs \$370 in Ontario and \$405 in Saskatchewan; and so on down through that whole list of agricultural implements, the additional being the freight necessary to be paid for bringing these things in from eastern Canada, where they are manufactured, and transporting them to this province.

I would draw the attention of the Commission to the suggestion at the bottom of page 215. I do not know whether it is a practical suggestion for dealing with the problem, but it is suggested that:

"As a partial alleviation of the disabilities of those portions of the Dominion farm removed from the centralized manufacturing districts, in the matter

"of transportation costs, a suggestion has been made that all articles manufactured in this country under a protective tariff should be sold at a uniform price throughout the Dominion. This would mean that those persons living in the proximity of the community in which any particular article is manufactured would pay a slightly higher price, and that the freight charge to other parts of Canada would be absorbed by the manufacturer. Such a proposal, it is submitted, should receive careful consideration and be applied insofar as possible. As a matter of fact by arrangement between manufacturers, electric motors and generators and starting and control equipment therefor, are to-day sold at a uniform price in Canada F.O.B. the point of delivery."

So that industry does actually practice that now, and our suggestion is that if anything along these lines could be done among these industries that are concentrated in the east, conditions would be remedied to some extent by a uniform price being established for their products all the way across Canada.

COMMISSIONER DAFOE: What was the origin of that suggestion, Mr. Davis? I know it is mentioned by Mr. Rogers in his brief to Nova Scotia but the origin has slipped my mind. Some national body, I think, first made the suggestion.

HON. MR. DAVIS: I do not know. When we were represented before the Tariff Board at Ottawa in connection with the tariff duties on the automotive industry, we discussed it with our counsel, and at that time we made this suggestion, not knowing that it had been made from any other source, and we have

carried the same suggestion into this brief. But no doubt the suggestion has been made by others, and I think it is a suggestion worthy of consideration.

Then pages 216 and 1217 cover the commodity rates and various examples are given, but I shall not weary the Commission by reading them all. But take the first item, lumber.

From Megantic, Quebec, to Foster, Quebec, the distance is 106 miles, and the rate 14; to move the same commodity the same distance from Golden, B. C. to Canmore, Alberta, the rate is $19\frac{1}{2}$; from Megantic, Quebec, to St. Lin Junction, a distance of 192 miles, the rate is 17; and from Golden, B. C. to Dalemead, Alberta, the rate for the same distance is 27; from Megantic, Quebec, to Smith Falls, Ontario, a distance of 293 miles, the rate is $19\frac{1}{2}$; the same distance haul from Golden B. C. to Tilley, Alberta, the rate is 30; from Megantic, Quebec, to Ingersoll, Ontario, a distance of 596 miles, the rate is 24 and the comparative rate from Golden B. C. to Moose Jaw, is $40\frac{1}{2}$. And the same disparity appears all the way through on these pages.

THE CHAIRMAN: I suppose, although I do not know-- I have never been in any of the freight rates cases--that one reason for that might be the greater cost of transportation over the mountains. Is that so?

MR. MCEWEN: In all the freight rates investigations that we have had it has always been stated by the railway companies that the mountain differential does not enter into commodity rates, only into class rates.

These are commodity rates.

HON. MR. DAVIS: Take as another example the freight rates on salt from Windsor, Ontario, to Montreal,

and from Fort William to Kemnay, Manitoba. From Windsor to Montreal is a distance of 568 miles, and the rate is $27\frac{1}{2}$; from Fort William to Kemnay, the distance is 561 miles, and the rate is 38. That indicates where there is no mountain haul involved that there is a tremendous discrepancy in the rates in the east and in the west, and it has been contended by the railways that it is due to the water competition which they must meet in Eastern Canada. We give other examples, showing the same disparity in freight rates; for example, on canned goods, paper, newsprint, and other articles.

Going now to page 221, we come to the following conclusion:-

CONCLUSION

"It is submitted that there has been a general feeling throughout Eastern Canada for many years that "the west can pay more"--more interest, more tariff and higher freight charges. The Maritime Provinces have at no time contributed anything in the matter of freight revenue for the support of transcontinental lines, and have not even contributed sufficient freight revenue to pay the costs of operating lines in their own territory. This portion of the country is more favoured geographically than the province of Saskatchewan, and it is submitted has received advantages in the matter of freight rates which amount to a straight subsidy of some millions of dollars a year, in addition to the deficits on their lines, which must be made up from general taxation."

COMMISSIONER MacKAY: Just on that point, Mr. Davis,

I think that you have forgotten to use one argument, which is mentioned on page 220, namely, that the British North America Act required a railway line to be built for strategic and defence purposes, and the result was that it was built away around the north shore, a distance 250/^{miles} longer than commercial considerations warranted. Saskatchewan apparently has overlooked the possible argument that a railway line across the prairie provinces might conceivably be of importance in the defence of British Columbia. Is that an omission in your brief?

HON. MR. DAVIS: Well, that is the only thing we did miss. Perhaps we ought even to provide housing accommodation for the people of British Columbia, but I doubt if they would back up this far, no matter who confronted them.

THE CHAIRMAN: You think they would hardly retreat so far as Saskatchewan?

HON. MR. DAVIS: I doubt if they would. I think they could hide or protect themselves somewhere in the mountains. Continuing on page 222:

"The central provinces, by virtue of their favourable geographical position, competitive means of transportation, concentration of industry and other causes, occupy the most favourable position in Canada in the matter of freight rates. On the other hand, the position of the western provinces is most unfavourable, but these provinces have been called upon to pay the bulk of the freight rates in Canada, and provide the net revenues for the Railways. Sir Joseph Flavelle was appointed to examine into the condition of the Canadian

"National Railways at the time of its consolidation. In his report he made a comparison between the Canadian Pacific Railway Company on the one hand, and the Grand Trunk Railway on the other, and stated that the Canadian Pacific obtained the greater part of its revenues from the higher freight rates and from the long bulk haul in western Canada. He pointed out that the Grand Trunk Railway on its eastern system hauled more freight than the Canadian Pacific on its whole system, but one produced profitable results, and the other produced deficits. In the opinion of Sir Joseph Flavelle, according to the report made by him at that time, traffic conditions in the west and freight rates paid by the west were responsible for this difference."

That is an important statement. I should like to read the next paragraph.

"In his history of the Canadian Pacific Railway, Dr. Innis, of the University of Toronto, states on page 269 as follows: 'Freight earnings and freight traffic have depended directly and indirectly to a very large extent on the expansion of western Canada, especially with the development of the west, and with the effect of higher rates resulting from a non-competitive situation in that area. The contributions in western Canada were evident in the receipts from land. It follows, therefore, that to a large extent the net earnings and total receipts of the Canadian Pacific Railway have been directly obtained from western Canada.' At page 293 he states: 'The existence of a large surplus on the balance sheet of the Canadian

"'Pacific Railway and the consistent payment of large dividends, accomplished through a high dividend rate and relatively large issues of common stock have been shown to be largely the result of the freight situation in Western Canada.' "

I do not think I need comment on that except to say that this is one of the handicaps under which this western country suffers in the economy of Canada.

Now we come to the Burden of the Protective Tariff Upon Saskatchewan, and what we have to say in this regard must be read in conjunction with what I said at the outset:

THE BURDEN OF THE PROTECTIVE TARIFF UPON SASKATCHEWAN

"We do not propose in this submission to restate the weighty economic arguments against a protective tariff nor are we here concerned to refute the more doubtful allegation that the imposition of a protective tariff may, under certain conditions, and in the long run, be in harmony with some broadly conceived national interest. Rather, in this submission, we are concerned to show that in times of prosperity and in times of depression alike, the dead-weight burden of the tariff bears more heavily upon Saskatchewan than upon any other province of the Dominion."

That is, we do not propose to enter into a debate of the merits of this policy, but merely to show the handicaps that the tariff imposes on the producers of this province.

"The nature of our economy, characterized as it is by intensive specialization in the production of an export staple and by the absence of secondary

"industries, makes this inevitable. The position of Saskatchewan in the Canadian Federation suggests that of Tasmania in the Australian, in which case it was declared 'that the high protective tariff was an unmixed burden with very little compensating benefit.'"

That statement was made as a result of an inquiry by a Commission in Australia. I have forgotten which Commission it was, and there is no indication where the statement came from, but it was one of the Commissions that examined the economic position of Australia.

"The particularly unhappy position of Saskatchewan with respect to the tariff has been revealed in the estimate made by Professor Rogers on behalf of the Government of Nova Scotia regarding the provincial incidence of the Canadian protective tariff. Although the methods and technique employed by Professor Rogers have been criticized it has been recognized that 'the degree of accuracy necessary in an estimate of the gains and losses from the tariff depends upon the purpose of the estimate.' We are prepared to concede that exact measurement of the incidence of the tariff upon any or all of the provinces is probably impossible, but we would submit with Professor Rogers that 'the conclusions reached by an analysis of this kind are of less importance in relation to exact monetary effects than as indicating the proportionate burden of the tariff upon the several provinces of the Dominion.'"

We have taken the figures used by Professor Rogers in the brief he submitted in Nova Scotia. We are not assuming, and I do not think he alleged that these

figures are exact. I should also like to read one paragraph at the top of page 227 from Professor Rogers' brief.

"It may be contended that the value of the computation of the provincial incidence of the tariff is vitiated by the fact that there is no reason to believe that 26 per cent is an accurate measure of the effect of the tariff in enhancing prices of protected manufactures. It has already been acknowledged that existing statistical information does not permit an exact calculation of the effect of the tariff on prices. The figure of 26 per cent was taken because it was the flat rate of average ad valorem duties on dutiable imports in 1931. But suppose the measurement of average enhancement of prices were 20 per cent instead of 26 per cent. The only difference would be in the absolute amounts and not in the relative distribution between provinces. The relative disparity between Ontario and Quebec as opposed to the other provinces would still remain. It would still be true that Ontario and Quebec would show the only surplus of manufacturers' tariff subsidies over consumers' tariff costs, and that the other provinces would show uniformly a substantial deficit of consumers' tariff costs as compared with manufacturers' tariff subsidies. The difference would be merely one of reducing the figures in all the columns without altering the essential relationships of the two groups of provinces."

While these figures might be attacked as not giving a correct picture relatively, they indicate the incidence of the burden of the tariff upon the provinces of Canada.

(page 1760 follows)

MR. ST. LAURENT: They are therefore made up on the basis of 26 per cent, and that is applied to the volume of retail trade in the provinces, the indices of which are at page 285, 100 being \$189,000,000 odd for 1930, the percentage for 1931 being 70.8.

HON. MR. DAVIS: Yes, I would judge so. However, we are not entering into any argument as to whether or not the percentage is right, though for relative purposes it can be used.

Table I shows the gains -- the distribution of the gains of the individual as the result of the imposition of the tariff. The last column is the tariff subsidy per capita -- the gain of the individual as the result of the application of the tariff policy. It shows that in the case of Ontario the gain per capita is \$64.32, whereas the gain in Saskatchewan is \$3.55.

THE CHAIRMAN: How does Professor Rogers arrive at the gains?

HON. MR. DAVIS: I presume he takes the total at 26 per cent, applied to the total turnover in the province, divides by the population and arrives at the per capita figure.

THE CHAIRMAN: But the 26 per cent would indicate the burden?

HON. MR. DAVIS: Yes, the next one is the burden.

THE CHAIRMAN: Let us assume that the general tariff schedule is 26 per cent -- the average is 26 per cent -- and that all goods domestically produced are sold at the normal rate plus the tariff rate, thereby increasing the cost by 26 per cent. How does he arrive at the benefit that each province would receive? I can understand how he might arrive at the burden which the province would bear

as a result of that process; but how does he arrive at the benefit that would accrue to each province?

HON. MR. DAVIS: I presume that the increase by reason of the 26 per cent flows into Ontario. A certain sum of money flows into that province as the result of the application of the policy.

PROFESSOR BRITNELL: It is apparent on page 95 of Professor Rogers' brief, and he works out a rather elaborate procedure. I think perhaps it is given in the first two paragraphs.

HON. MR. DAVIS: Perhaps I had better read from page 95 of his brief:

PROVINCIAL DISTRIBUTION OF TARIFF SUBSIDIES.

The procedure adopted to determine the provincial distribution of tariff subsidies is as follows:

(1) The first figure to be obtained is one which represents the total gross value of goods manufactured in Canada in a given year (1931), which are also consumed in Canada. This figure is obtained by taking the gross value of goods manufactured in Canada in 1931, viz. \$2,698,461,862 and subtracting from it the gross value of the exports of manufactured goods, viz. \$350,166,608. The figure thus obtained is \$2,348,295,254.

(2) The total obtained from the above calculation represents the gross value of goods of Canadian manufacture consumed in Canada in 1931. This total, however, includes certain classes of manufactured goods which are not subject to tariff duties, viz. printing and publishing, dyeing and cleaning, sawmills, bread and other baking products, central electric stations. The gross value of these classes of manufactured goods consumed in

"Canada in 1931 was \$286,508,213. This amount must be deducted from the first total in order to obtain the gross value of protected goods manufactured and consumed in Canada. The figure thus obtained is \$2,061,787,041.

(3) The above total represents the gross value of protected goods manufactured and consumed in Canada in 1931. It includes therefore the price increase due to the operation of the protective tariff. The best available measure of the price increase due to the tariff is the average ad valorem duty on all dutiable imports into Canada. This average as calculated by the Dominion Bureau of Statistics for 1931 is 26 per cent. On this basis the total given above, viz. \$2,061,787,041 is 126 per cent of the total gross value of protected goods manufactured and consumed in Canada in 1931 valued at competitive world prices. In order to obtain a figure which can be used legitimately as a base for the computation of the enhancement of prices due to the tariff it is necessary therefore to take $\frac{100}{126}$ of the total given above. This calculation gives a figure of \$1,636,338,921 representing the gross value of protected goods manufactured and consumed in Canada in terms of competitive world prices, i.e., the prices at which similar imports could be purchased free of duty."

(4) It is necessary to determine the total amount of the tariff subsidy on the gross value of protected goods manufactured and consumed in Canada. As previously stated, since it is impossible to obtain exact information upon individual items with the existing statistical information, it seems

"reasonable to adopt as a measurement of the enhancement of prices due to the tariff a figure which represents the average ad valorem duty on all dutiable imports into Canada in 1931, viz. 26 per cent. When this percentage is applied to the last total in the preceding section, the result will represent the total tariff subsidies in the form of enhancement of prices of protected goods manufactured and consumed in Canada, this enhancement of prices being the result of the protection afforded to dominion manufactures against foreign imports of similar commodities. The figure obtained by this calculation is \$425,448,119."

That is the enhancement as a result of the application of the tariff, and I presume that he spreads that over the provinces in proportion to the consumption of these goods.

COMMISSIONER ANGUS: While that estimated tariff subsidy is in a sense, in principle, a subsidy to the manufacturer, it is given to him because of certain costs he has to incur; but it is not necessarily a benefit in the sense of being something which he could pocket without manufacturing any goods.

HON. MR. DAVIS: He uses it to maintain an uneconomic industry in a country where such an industry should not be located?

COMMISSIONER ANGUS: Conceivably, yes. It is no doubt a burden to the people who have to pay it; but is it necessarily an advantage to the person who receives it?

HON. MR. DAVIS: It must be an advantage to him. Possibly some of it may be applicable to the increased cost of production, but I do not believe that it can all be accounted for in that way.

COMMISSIONER ANGUS: How would you distinguish between the two?

HON. MR. DAVIS: It would be rather difficult, I admit, to draw the distinction.

COMMISSIONER ANGUS: Does Professor Rogers distinguish between them?

HON. MR. DAVIS: No, I do not think so.

PROFESSOR BRITNELL: It is applicable in the case where an industry is sufficiently economic to take the entire subsidy as an additional gain.

COMMISSIONER ANGUS: Is there any suggestion that any industry does that?

PROFESSOR BRITNELL: I cannot think of any offhand, but it is likely that in Canada there would be some industries that would fall into that category.

COMMISSIONER ANGUS: If there were any such industries, could you not get relief from the Tariff Board?

PROFESSOR BRITNELL: We should hardly like to press the suggestion that all our industries are completely uneconomic.

HON. MR. DAVIS: On that basis of 26 per cent, the people of the country paid \$425,000,000 more in 1931 for the goods they consumed than they would have had to pay had they been able to bring them in.

THE CHAIRMAN: The difficulty I find is in respect of the burden. Of course, there is a burden -- there must be a burden -- to a province like Saskatchewan; but my difficulty is with respect to the assessment of either burden or benefit, but particularly as regards the figures that are quoted to support the contention that there is a benefit. How is it possible to say that a province has benefited by such a sum if the increased cost of production equals the amount of the tariff?

How do you calculate that benefit? Assume that the increased cost of production is equal to the amount of the tariff, then where does the benefit come in?

HON. MR. DAVIS: I would say that it comes in through the building up of industry in the province benefited, the provision of work for people in that province, the creation of opportunities for such work, and this at the expense of the people living elsewhere in Canada. There is a distinct benefit. Even if the cost of production, the increased cost of production in Canada, is only equal to the amount of the tariff, it still benefits the protected province to the extent to which industry is built up in that province, employment is furnished, and a greater tax paying capacity is made possible. And, as I say, that is brought about at the expense of the people in the other provinces.

PROFESSOR BRITNELL: I do not know that the terms "benefit" and "subsidy" are completely interchangeable. It is the additional amount which will accrue to the Canadian manufacturer in consequence of the incidence of the tariff imposition over and above what he would obtain under conditions under which no tariff existed. Whether it is a benefit or not will depend upon the economics of his industry, and a number of other related factors.

COMMISSIONER DAFOE: That, I should think, is a statistical expedient. The subsidy, if there is a subsidy, is paid to the manufacturers of Saskatchewan --

HON. MR. DAVIS: The manufacturers.

COMMISSIONER DAFOE: This \$3.55 is a subsidy to the people in Saskatchewan who produce goods under the shelter of the tariff, and there is an assumption that that is divided equally among the people of the province

But it is an assumption simply for purposes of comparison with the debits in the next table.

HON. MR. DAVIS: That is exactly it.

COMMISSIONER DAFOE: It is not a real comparison, but a comparison to illustrate a point which Mr. Rogers had in mind.

HON. MR. DAVIS: I do not think that we could argue that each person in the province of Saskatchewan was able to put in his pocket in 1931 \$3.55 as a result of the tariff, but the industries in Saskatchewan would benefit by the tariff to the extent of the total.

COMMISSIONER ANGUS: Professor Britnell's point is that, on page 225, the words "gains" and "losses" are misleading.

PROFESSOR BRITNELL: Yes. It cannot be entirely argued that the subsidy is a benefit or something that is accruing in completeness over and above what the cost of production may be.

HON. MR. DAVIS: Table II gives the distribution of the tariff costs, the cost of the burden resulting from the tariff, computed on the same basis and distributed among the provinces. The tariff costs per capita in the case of Saskatchewan, in the year 1931 was \$31.71 and in the case of Ontario \$49.17.

Table III gives a comparison in which Professor Rogers works out the result of the application of the tariff policy and its effect upon all the provinces, showing that seven provinces lose by it while two are gainers. Perhaps it is not necessary for me to quote the figures. It is generally recognized that two provinces do gain by the tariff while the other seven suffer.

COMMISSIONER MACKAY: What do you mean when you say

they gain by it?

HON. MR. DAVIS: By the centralization of industry in those provinces they are able to build up the wealth of the provinces and furnish employment for people, thus making for a greater tax paying capacity.

COMMISSIONER MacKAY: The fact that there are more people in a province does not necessarily argue that there is greater tax paying capacity?

HON. MR. DAVIS: But where these people are gainfully employed it does argue that there is a greater tax paying capacity.

COMMISSIONER MacKAY: If they are out of work it does not.

HON. MR. DAVIS: No, but that is rare. There is greater opportunity for employment in those provinces than there is elsewhere in the dominion.

COMMISSIONER MacKAY: Since the depression there has been a tremendous relief burden in the industrial centres, and that must be set off against any advantage such as you suggest. Of course, there is also a vast relief burden in Saskatchewan, but that is mainly the result of drought conditions.

HON. MR. DAVIS: Yes, that is true.

COMMISSIONER MacKAY: In central Canada, on the other hand, there is a very considerable relief burden as a result of industrial depression.

HON. MR. DAVIS: But it is also due in part to the lack of purchasing power in this part of Canada in consequence of the lack of production.

COMMISSIONER MacKAY: Partly, yes, that is true; but various other factors must be taken into consideration. What I am getting at is this. Conceivably, the concentration of industry, in so far as it is due to the tariff, does not necessarily add to the wealth of the

community. It may add to it in some respects; it may add to the tax paying capacity of the people in the community in which industry is concentrated; but it may also add seriously to the relief burden.

HON. MR. DAVIS: In a period of unemployment it may add to that burden; but balancing one against the other, I contend that unquestionably it builds up the wealth of those provinces engaged in industry, and it does so at the expense of other parts of the country.

COMMISSIONER MacKAY: Presumably they do not do it for humanitarian reasons; it is done for profit no doubt. But I do not think we should over-emphasize the wealth factor due to concentration of industry. Conceivably, in the last analysis, it may not add to the wealth of the community but to the burden.

HON. MR. DAVIS: So far as Saskatchewan is concerned, we do not derive any appreciable benefit from the tariff, whereas it imposes a burden upon the people of the province; and we know that the product which we have to sell must be sold in the markets of the world in competition with a similar product from every other nation selling in that world market. If therefore we cannot meet that competition we must go out of business, and we contend that if the industries of Canada cannot carry on on the same basis, they should be closed up.

COMMISSIONER MacKAY: I do not want to enter into any tariff argument; let us leave that out completely. Personally, I fully appreciate your point of view. But we should not over-emphasize the point of gain in any particular province.

HON. MR. DAVIS: In times of unemployment there are certain disadvantages that must be taken into account.

COMMISSIONER MacKAY : That is why I think that

these figures from Professor Rogers' brief may be highly misleading, and we should take them only as an indication and not as a measure.

PROFESSOR BRITNELL: That is the point we are pressing.

COMMISSIONER MacKAY: I simply wanted to make that clear.

PROFESSOR BRITNELL: We use them for comparative purposes and not as indicating the exact results of the tariff policy.

COMMISSIONER MacKAY : You are not using them as a yardstick?

PROFESSOR BRITNELL: No.

COMMISSIONER DAFOE: Mr. Davis, I should like to draw your attention to a comment on this question by Professor McQueen. In a paper which he read to the Political Science Association he suggests that in considering the tariff question we should guard against the idea that the tariff has enlarged the national wealth of Canada. He says that admittedly, as the result of the tariff, the central provinces get a larger share of what national income there is; but he thinks it doubtful whether the national income has not been reduced as a result of the tariff. Perhaps I might read what he says in this regard:

While Professor Rogers is clear as to tariff costs and tariff subsidies as applied to specific provinces, the impression is likely to be left that the industries of Ontario and Quebec derive large monetary gains from the tariff. It is particularly important that this notion should be dispelled if such estimates are to be used as the basis of provincial subsidies. All that is revealed by such a study is that Ontario and Quebec by virtue

"of the tariff enjoy a larger proportion of a national income than would have been the case otherwise and not that the national dividend is greater or less by virtue of the tariff.

Ontario and Quebec may share merely a larger proportion of a diminished whole. It has not been proved that what the other provinces have lost the central provinces have gained."

PROFESSOR BRITNELL: We have attempted to make exactly that point a little later on.

HON. MR. DAVIS: At pages 226-227 we quote from the brief of Professor Rogers. We quote it with approval. The last paragraph on page 227 of our brief reads:

" Thus, whatever qualifications may be introduced, the essential grimness of the tariff picture into which Saskatchewan is made to fit cannot be obscured. Indeed, refinements in technique could scarcely serve to do other than darken the canvas. For five of the ten leading industries of Saskatchewan, (5) namely, printing and publishing, bread and other baking plants, dyeing and cleaning establishments, saw mills and central electric stations cannot be said to depend in any direct way upon the existence of the protective tariff, and, four of the remaining five, namely, flour and feed mills, butter and cheese factories, slaughtering and meat packing plants, and breweries, are either dependent largely upon export markets and world prices or derive little support from the tariff. Of the ten leading industries --"

This is an important section --

"---of Saskatchewan only petroleum plants, giving employment to a total of less than 500 workers,

"derive any substantial measure of protection from the tariff."

That is the only industry in Saskatchewan that receives a benefit.

COMMISSIONER MacKAY: You are not forgetting, are you, the industry recently opened up in Regina?

HON. MR. DAVIS: I think that possibly the people of Saskatchewan as a whole would be better off if there were free access to the market so far as gasoline is concerned, and it might be just as well to take these 500 workers, pension them, and provide them with homes at the coast. Ultimately the people of this province would be better off than by maintaining this industry here.

Next I come to page 228:

" While the tariff has given little support to the few small manufacturing industries which Saskatchewan does possess, it has imposed a heavy annual charge or tax upon the one great unsheltered export industry of the province. The Saskatchewan wheat growers have, perhaps in a more complete sense than any other group in Canada, been "compelled to purchase goods in an expensive protected market with the proceeds of exports sold in the competitive markets of the world." In times of depression when the barter terms of trade become particularly unfavourable to Saskatchewan wheat growers, the relative weight of the tariff burden increases. Against the highly variable income of Saskatchewan resulting from tremendous fluctuations in both the yield and the export price of wheat is set a rigidity of costs resulting from the absence of free competition in the determination of the prices of goods supplied by the industrial areas of Ontario

"and Quebec. For the presence and the operation of a high protective tariff make the possibility of adjusting other prices in the Canadian economy to meet the sharp decline in the cash incomes of primary producers extremely remote. Actually, any threatened fall in the price of protected goods resulting from a sharpening of foreign competition tends to be met by appeals from the sheltered industries for increased tariff protection and order in council provision for anti-dumping measures, with a consequent further diversion of a shrinking national income from the exposed to the sheltered industries. Such a movement is naturally accompanied by drastic reduction in the standard of living of the primary producers in exposed areas.

The tendency to raise tariffs in times of economic depression has particularly serious consequences for Saskatchewan which can best be illustrated with reference to the conditions underlying the production and marketing of wheat. In a period of depressed demand for exported wheat, it is essential that the Saskatchewan producers be put in a position where they can cut costs and carry on, but the imposition of a higher tariff or even the maintenance of tariff schedules at former high levels, introduces rigidities into the cost structure of western agriculture and places the wheat grower in a peculiarly vulnerable position."

We have experienced that. During the very time when the cost of the tariff should have been reduced, in a period of depressed prices, the tendency was to increase it.

I come next to page 229. Perhaps I should not miss

the first paragraph at the top of that page:

" Thus the tariff fulfills the biblical text "for he that hath to him shall be given and he that hath not, from him shall be taken even that which he hath," and protected industries have small grounds for complaint if the results of Canadian fiscal policy are reflected in a sharp rise in the cost of agricultural relief in the prairie provinces.

A study of prices of typical manufactured commodities in the United States and other competitive countries over a period of years, as compared with prices in Canada, will show that the Canadian consumer pays, at least an amount equal to the tariff protection granted in excess of what he would have to pay had he free access to the nearest and cheapest market.

Let us examine the automotive industry as an example of the working out of this policy. Generally speaking, it is typical of all protected industries, although it should be kept in mind that the automotive industry is by no means the industry given the highest degree of protection. Three large corporations, namely, General Motors, Chrysler Corporation and Ford Company of Canada control approximately 85 to 90 per cent of the market for the low priced automobile in Canada. The United States is, of course, the natural competitive factor in this particular manufactured product. However, the parent companies of the three dominant Canadian companies enjoy an even greater control of the American market for automobiles in the same price field. None of the American parent companies compete

"with the Canadian offshoots for Canadian business."

That is the arrangement between these companies. There is an understanding among them that there shall be no competition on the part of these three large industries, as between American and Canadian plants. The brief goes on:

" The reports of the Dominion Tariff Board examining into this particular industry show that there is a differential between United States prices and Canadian at comparative points of from 25 per cent to 35 per cent. In other words, the differential is considerably greater than the $17\frac{1}{2}$ per cent duty imposed against these automobiles by the Customs Tariff. Prior to 1936, the duty rate was 20 per cent. How then can the Canadian automotive industry maintain this excess of differential? The answer to this question indicates clearly that there are many barriers other than the actual customs duty imposed to restrict Canadian buying to Canadian manufacturers."

It is a peculiar thing, but this non-competitive arrangement between the two enhances prices as between Canada and the United States, even in excess of the tariff.

COMMISSIONER ANGUS: Is that after making allowance for the sales tax in Canada?

HON. MR. DAVIS: Yes. I should like to see that tariff taken off and see how long this arrangement would continue.

" In the case of the automotive industry, there are two effective causes permitting this result. The first is, as shown, the lack of true and effective competition from the companies in the United States, and the other is the embargo

"placed on used cars entering into Canada."

That is an important factor.

" For some years the importation of used cars has been effectively barred by an enactment of the Dominion Parliament, and it is submitted that this has played a large part in giving to the Canadian automotive industry a practical monopoly of the Canadian market. Undoubtedly, Saskatchewan would have turned to the United States with its great quantity of low-priced used cars to supply its needs, particularly during the recent years of agricultural depression, and this would have afforded, indirectly, a measure of competition that would have influenced Canadian prices of new cars."

We think that is an important point. The barring of these cars from this market does remove competition.

THE CHAIRMAN: When was that done?

HON. MR. DAVIS: That was done, I believe, in the year 1931 or 1932.

THE CHAIRMAN: There has been no change in that policy since?

HON. MR. DAVIS: Since that time, there has been no change in that policy, although I understand that recently some loophole has been found in the tariff schedule: if you take a car apart in the United States and assemble the parts here you can get around it. They will be plugging that hole shortly. The next paragraph on page 230 reads:

" In the Tariff Board report on this particular industry, a sympathetic attempt was made to show the value of the industry to Canada. The premises or the conclusions reached by the Board cannot be accepted by this province, but need not be argued

"here. The actual figures used in the computation show, however, that the differential being paid by the Canadian consumer was more than sufficient to pay all the wages being paid out by the industry in Canada. In other words, the industry is being bonused at the expense of the consumer to this extent, at least, and Saskatchewan bears its share of this bonus without the compensating advantages that have accrued to Ontario where the industry is established.

It is true that General Motors has re-opened its Regina assembly plant, and, to the extent that its operations contribute to municipal and provincial taxation and employs Saskatchewan citizens in connection therewith, Saskatchewan will benefit.

However, it might easily be argued that if the Saskatchewan consumer had free access to the United States the company might still find it economical to establish such an assembly point in the west for the distribution of its products."

Notwithstanding the establishment of this industry here, we still maintain that in the long run we would be better off if there were more competition as the result of a lower tariff. Take the next paragraph dealing with parts:

" Another phase of the automotive industry is the parts industry that has grown up around the automobile manufacturing plants in Ontario. This parts industry is afforded a higher degree of protection than is the automobile manufacturing industry. To illustrate the load that this particular protection imposes, it was shown before the first sittings of the Tariff Board in December, 1935, that the Canadian consumer, by a process of pyramiding, was paying approximately 70 per cent more than the American consumer."

The ultimate result from this system of pyramiding is an increase in the price of parts to the Canadian consumer of 70 per cent more than the price paid by the American consumer.

" Other regulations have been devised and applied to achieve and maintain the place of the Canadian manufacturer in the Canadian market. The fixed value for duty purposes, the so-called dumping provisions of the Act, the arbitrary fixing of value in terms of Canadian currency when the currency of a foreign country of importance is depreciated, have all been used to effect this purpose. The effect of all these has been to permit the Canadian manufacturer to maintain a price level above that prevailing in other countries, and the consumer has had to bonus, to the extent of the excess price, the industries being carried on in Canada."

Some ingenious individual somewhere in the world is always able to devise schemes whereby to make the application of the tariff still more rigorous. Next we deal with oil, which is an important factor in this province. I refer you to the middle of page 231:

" The Canadian oil companies had two advantages other than the tariff -- firstly, their being firmly established in the market, and secondly the differential on freight rates on crude oil and refined products."

That is to say, crude oil coming in has a lower rate than refined products and therefore has tariff protection in so far as freight rates are concerned.

" This second preferential rate gave to the Canadian companies an advantage of approximately

"four to five cents per gallon over an importer from the United States of refined products. Even these advantages added to the protective duty were considered insufficient to prevent the importation of large quantities of gasoline and distillage from the United States. As a result, the dominion government put in force the use of the fixed value for duty purposes, the arbitrary fixing of a value for duty purposes in terms of Canadian currency and even an embargo, all for the purpose of discouraging or preventing these importations."

They made use of every device even to the point where they had to have an embargo to prevent competition.

THE CHAIRMAN: When was that done?

HON. MR. DAVIS: That was done round about 1933, I believe.

" The result of the policy of the dominion government during the depression period should be noted. Saskatchewan wheat growers normally use large quantities of petroleum products in their farming operations. But by direct intervention of the dominion government, the consumers in this province were unable to secure the advantage of the downward trend in prices of these products in other countries, and were compelled to pay the high prices made possible by the application of the tariff and the regulations calculated to make that tariff effective."

The first paragraph at the top of page 232 is a quotation from Dr. H.A. Innis. He stresses the east and west movement which I have already emphasized this morning.

THE CHAIRMAN: I see that the tariff has been lowered; you point that out in the last paragraph on

page 231.

HON. MR. DAVIS; Yes; it has been lowered since 1935 on petroleum products, but we think it could be entirely abolished. I would direct attention to the quotations on page 232. That concludes this section. First we have dealt with freight rates as indicated, and then the tariff, and now we come to the section dealing with monetary policy.

In discussing this subject we realize that this, so to speak, is water that has already flowed under the bridge. We are not attempting to discuss this section on the basis of arguing that what was done was not right in the interests of Canada; we simply draw the attention of the Commission to the actual effect upon industry in Saskatchewan. Professor Fowke, of the University of Saskatchewan, prepared this section, and he has done it very well indeed. It is a difficult subject for the layman to understand, and I do not understand it yet. I listened to the discussion in Winnipeg and did not know a great deal after I had heard it all, and perhaps I know less now. Let me come to the third paragraph:

" It is hardly possible to arrive at any quantitative expression of the additional depression burden imposed upon western Canadian producers by the pursuit of a monetary policy so incompatible with their special interests."

We do not say that we can compute that; attempts have been made to do it, but it is difficult .

" But, a review of theoretical sources and of inductive studies covering the period in question, does much to confirm the validity of the plea for monetary readjustment presented by western members during the early depression years."

This was advanced largely by Mr. Coote of Alberta, and we have found statements by the Hon. Ian Mackenzie, now Minister of National Defence, in which the same thing is emphasized. A comment will also be found by the Right Honourable W.L.Mackenzie King, the present Prime Minister of Canada, more or less agreeing with the views expressed by Mr. Mackenzie. Mr. Mackenzie King quoted with approval an editorial that appeared in one of the Ottawa newspapers, either the Journal or the Citizen.

THE CHAIRMAN: What did Mr. King say? Have you the quotation?

HON. MR. DAVIS: Yes, my lord; I have it here somewhere. Perhaps I had better read it: It will be found in Hansard of October 10, 1932, at page 36:

" It is difficult to estimate what the real effect of these mistaken policies has been, but a day or two ago there appeared in one of Canada's leading journals an estimate which I think will be recognized as important enough to bring to the attention of the house at this time. It is a carefully prepared estimate by one of the leading journals in the Dominion of Canada, and the paper in question is apparently prepared to stake its reputation as a journal of exceptionally high standard upon the editorial which it has published in this connection. I am quoting from an editorial which appeared in the Ottawa Citizen on September 21, 1932, just a few days ago. It is entitled '\$2,500,000,000 Penalty,' and the paragraph which I wish to bring to the attention of the house is the following:

' It is estimated that this policy of trade restriction and its counterpart -- the attempted maintenance of the gold standard -- together with the world depression, will by the end of 1932,

"'have cost the country in loss of purchasing power through reduction in the income of wage earners, farmers, merchants, business men, professional men, etc., not less than \$3,250,000,000. To this should be added the reduced earnings of corporations, so that the total loss -- or cost -- to Canada cannot be short of \$5,000,000,000. But to be quite fair to the government let us assume that half of this loss would have to come to us by depressed world conditions even if the King government had remained in power. Still its mistaken policy would seem to have cost Canadians approximately \$2,500,000,000 in two years -- an amount equal to the present national debt -- a sizable monument to its error in judgment.

This is the considered opinion of the Citizen. Business men can estimate what \$2,500,000,000 of purchasing power distributed throughout Canada would have meant towards business revival and lower taxation !

That quotation, I think, ought to cause hon. gentlemen opposite to reflect very seriously upon the consequence of their policies in accounting for conditions as they are at the present moment. I want to make the direct statement that I believe the policies of the government with respect to the tariff are accountable in a most direct and positive way for conditions in Canada being as serious as they have been during the last couple of years. I want to say further that unless those high tariff policies are changed and changed very speedily, the country's condition will become even worse than it is at the present time."

He quotes that editorial with approval and says that it is difficult to estimate the real effect of these mistaken policies.

COMMISSIONER DAFOE: The mistaken policies were tariff policies.

HON. MR. DAVIS: His first reference was to monetary policies.

THE CHAIRMAN: It may be; but the subsequent reference to tariff policy would appear to indicate his view that the mistaken policy was the tariff policy.

HON. MR. DAVIS: I should judge that he would not have quoted this editorial unless he had something in mind in reference to it. He must have been quoting it with approval or disapproval. The reference would apply to both, but that is a matter of the construction to be placed upon what he said.

At the bottom of page 233 of our brief we say:

" THE FOREIGN EXCHANGES AND CANADIAN WHEAT
MARKETING.

The monetary policy pursued at any time by the dominion government must have important domestic as well as international aspects, but we may arrive at its chief significance bearing on wheat marketing by noting its influences upon the foreign exchanges. The Canadian wheat grower is concerned with the rate of the Canadian dollar in terms of many other national currencies, but the relationships existing as between the Canadian dollar and certain leading currencies including the British pound, the Australian pound, and the Argentine peso -- the latter two monetary units being those of Canada's leading competitors in the world wheat market are of special interest to him. Chart I, indicates the varying positions of these currencies in relation

"to their gold pars throughout the years 1930-33."

I presume the top of the chart represents the gold base, and it shows the relationship to gold of Canadian, Australian, British and Argentine money. It will be seen that we hold a very enviable position, being at the top and closest to the gold standard. Our money, in relation to gold, is higher than that of either Britain, Australia or the Argentine.

We come to the bottom of page 234:

" Depreciation of the various currencies in terms of gold is not significant in itself, for the Canadian wheat grower. The distinction must be drawn between depreciation in terms of gold and exchange depreciation. Obviously if all relevant currencies, including the Canadian dollar are depreciated equally in terms of gold; and if we imagine that the depreciation of these currencies has taken place suddenly and simultaneously, it follows that the new exchange relationships would be identical with those obtaining before the depreciation occurred and that competitive conditions in the world wheat market would remain unaltered."

That is a correct statement. If they all come down in proportion at the same time it makes no difference what the relative value to gold is; but when one gets out of line with another, then the depreciation makes itself felt.

" Depreciation can occur in terms of gold without necessarily causing exchange depreciation, and it is only with this latter phenomenon that wheat exporters, as such, are concerned."

That covers it. The brief continues:

" In order to determine the existence and degree of exchange depreciation for any currency at a point of time, however, a chart which starts at the gold basis is useful. Clearly, differing degrees of depreciation in terms of gold will alter the exchange relationship between any two currencies. To know, for instance, that on a given date the Canadian dollar and the British pound are still gold units of known size, while the Australian pound and the Argentine peso are off gold by some 25 or 30 per cent, makes it possible to determine the resultant influences bearing on competitive conditions in the wheat market. Chart I, and quotations of the gold value of currencies generally, are to be interpreted with these points in mind.

An appreciable departure of the Canadian dollar from gold par occurred only in August 1931 and Britain officially abandoned gold on September 20 of the same year. Thereafter the declines of the dollar and of the British pound were equally precipitate although not of equal proportions. The British pound fell to 70 per cent of its gold value, while the dollar steadied up at 83 per cent and remained consistently above the pound, the significant outcome being, of course, heavy reductions in sterling quotations at Montreal.

The Canadian exchange problem, however, had its origins much earlier than August and September of 1931 and the British departure from gold served to intensify, rather than to originate, the situation. As far back as the early months of 1930, Canadian exporters of agricultural products, notably wheat, were meeting a degree of competition from Australia

"exporters of agricultural products, notably wheat were meeting a degree of competition from Australia and Argentina which was rendered unusually severe by the existing currency depreciation of these countries. In January 1930 the peso stood at 95 per cent of its par value, while the Australian pound stood at 98 per cent of its gold value and both currencies were threatening further sharp declines in terms of gold. Meanwhile the pound sterling and the Canadian dollar remained at par. Thus, while the Canadian exporter continued to cash his sterling credits at the old rate (\$4,866), exporters in Australia and Argentine were able to cash their sterling credits at rates in their respective domestic currencies well above the old gold par, the amount of the excess dependent only on the degree of depreciation which they permitted in terms of gold.

Consequent upon these exchange relationships the Canadian wheat grower may be said to have felt the impact of the "sound money" policy of the Dominion government as early as in the marketing of the 1929 crop. By the end of the 1929 crop year ' (i.e. July 31, 1930) a "sound", or 100 per cent gold Canadian dollar was to be compared with a peso depreciated by 15 per cent and an Australian pound depreciated by about 6 per cent.

In marketing the 1930 crop the position of the western wheat farmer was rendered more difficult by the continued decline of the peso and of the Australian pound. Throughout the 1930-31 crop year the Canadian dollar held firm on gold, but the peso fell to less than 75 per cent of par and the Australian pound was temporarily pegged at 76.9 per cent of its gold value, these percentages being significant in that

" they indicate the degree to which sales of produce in terms of pounds sterling yielded relatively higher prices in terms of the domestic currencies of these countries.

We cannot neglect the so-called "distress" conditions under which the crops of Argentina and Australia came onto the world markets in the early years of the depression, but we must also give proper weight to the competitive advantage derived by these countries from the depreciation of their currencies. Though neither the 1929 nor the 1930 Canadian wheat crop was unduly small, still Canada experienced substantial losses in the marketing of these crops, both in regard to her share of the British market and of world trade. During these years instead of retaining the one third of the British market, which she had formerly held, she occupied less than one quarter; and instead of providing more than 40 per cent of world movements, she accounted for only 33 per cent. This situation was reflected in the accompanying decline in domestic wheat prices and No. 1 Northern cash wheat (basis Fort William) which had averaged roughly \$1.20 per bushel for the 1928-29 crop year, ended the 1929-30 crop year with an average for July of 95.1 cents and the 1930-31 crop year with a July average of 57.3 cents. Furthermore, in two years (July 31, 1929, with July 31, 1931) the Canadian carryover had increased from 104 to 134 million bushels."

The next paragraph deals with the effect of the policy on the 1931-32 wheat crop. Next we come to page 237, dealing with exchange influences:

" Exchange influences were largely nullified, in so far as they concerned competitive advantages in the export market, before the Canadian wheat crop of 1933 began to move into trade channels. Active depreciation of the American dollar began in April of that year and the summer months were characterized by the adjustment of the five currencies, including the United States dollar, at exchange quotations not far removed from those obtaining on the pre-depression gold basis. All five currencies settled at valuations close to 60 per cent of their former gold values. It is fair to conclude, therefore, that the special competitive handicap imposed upon Canadian wheat growers by the continuance of a policy which over-valued the dollar in the foreign exchanges, was largely eliminated by the beginning of the 1933-34 crop year."

Then we go on to comment upon the discussion that took place in Parliament with regard to what is known as the "sound money" policy. I do not think it is necessary for me to read that. We are not arguing the point whether it was right or wrong in the national interests.

Next I come to page 238:

" THE IMPACT OF CANADIAN MONETARY POLICY
ON THE WHEAT ECONOMY.

To many it might seem a truism that a monetary policy which is beneficial or protective for Canada as a whole must, of necessity, be equally beneficial for all of the component parts. Nevertheless a given monetary policy may impose heavy burdens upon particular regions or upon economic groups within the national framework. Whether or not such a policy finally fulfills all expectations regarding the general welfare of the nation is

"another story.

To speak of deflation, as is so commonly done, as a situation wherein more or less serious price declines occur, is to speak correctly and yet to conceal more than half the truth. The really significant factor in deflation is the irregularity with which the price declines occur, the cumulative effect being that certain groups are in an increasingly exposed position while others remain comparatively sheltered."

Page 1795 follows.

"The phenomena of 'sticky' prices, of overhead charges and of rigidities of all sorts within the price structure, are at the roots of the pressure of deflation; and an understanding of their prevalence is prerequisite to an appreciation of the pressures to which certain groups are exposed in a period of deflation."

Then, on page 239 we deal with monetary policy, as follows:

MONETARY POLICY AND EXPORT PRICES

"To hold that a burden is placed upon the agricultural export group by the pursuit of a "sound money" policy is to be met by the assertion that the source of the burden has been misconstrued, that the troubles lie in world-wide deflationary forces and should not be attributed to the avowed policies of any one country. This is, of course, correct and obvious. But there remains the fact that national policies may be couched in terms designed, either to mitigate the thrust of these world-wide forces, or to leave certain vulnerable groups exposed to their full rigors."

I listened to the argument in Winnipeg where it was suggested that this policy should have been pursued. Professor Upgren, who was giving evidence, suggested, as I understood it, all that should have been done by the nation was to inflate, if that is the proper term, to depreciate the currency to the point where the two lines shown on page 240, the line of wholesale prices and the line of No. 1 Northern, would have been brought closer together. His point was, as I understood it, that the price of wheat in terms of this appreciated currency reduced it to the lower line in this chart, and it kept out of line with the wholesale price.

THE CHAIRMAN: The point made was that the dollar

should have been depreciated to a parity with the Australian pound.

HON. MR. DAVIS: Yes; that is what the suggested. This is a technical subject and hard for the layman to understand, but as I understood it, his main point was, there should have been sufficient depreciation, irrespective of its relation to the pound, to bring these two lines into closer conformity with each other.

COMMISSIONER DAFOE: I do not believe he abandoned the original position that some policies should have been followed by Canada which would have put the Canadian dollar on a level with the Australian pound.

HON. MR. DAVIS: : The depreciation of the dollar I presume means when you convert money that you receive for the product in the local unit of currency, it enables you to pay the fixed charges. The dollars are of less value in relation to world money, true enough.

COMMISSIONER DAFOE: That was the point in his contention. His contention was that Canada should have had a policy which would have put the Canadian dollar on a parity with the Australian pound. It was on that point that the cross-examination was based, as I remember it.

HON. MR. DAVIS: I presume if our money had been depreciated to a fifty cent dollar, for instance, the farmer would have received, for the sake of argument, \$2.00 in lieu of the original \$1.00; but that \$2.00 would have enabled him to pay off \$2.00 worth of debt or fixed charges, notwithstanding the fact that in world currency the \$2.00 would be worth only \$1.00.

THE CHAIRMAN: That is true, Mr. Davis, but on the other hand the farmer would have had to pay more for the goods he was purchasing, because undoubtedly the effect of inflation is to increase the price.

HON. MR. DAVIS: Yes.

PROFESSOR BRITNELL: What the relative proportions would be, I do not know. It is difficult to arrive at any conclusion. The time lag would have given us a breathing space at the time we sorely needed it.

HON. MR. DAVIS: The time lag increases the price of the commodities we buy; but they would have come together.

THE CHAIRMAN: I do not know whether it was true of Saskatchewan, but it was true of many of the provinces, and it is an important factor. Many of their obligations were payable in two or three places.

HON. MR. DAVIS: We have gone into that very fully.

THE CHAIRMAN: Both municipal and provincial obligations were payable in two or three places. I do not know whether that is true of Saskatchewan.

HON. MR. DAVIS: I have gone into that very fully. I heard the argument in Winnipeg that it would have increased the cost to Canada to service her debt outside Canada if we had depreciated our currency at that time. We have gone into these figures very fully in the brief to show that it would not have borne very heavily on the Dominion of Canada.

COMMISSIONER DAFOE: These figures are in direct conflict with the statement made repeatedly by the Minister of Finance at Ottawa who was also the prime minister for two sessions.

HON. MR. DAVIS: Yes.

COMMISSIONER DAFOE: He stated repeatedly that the total of the payments from Canada, to the United States, which would have included private debts and maturities I suppose, ran to a million dollars a day. Well, obviously, if that had been paid in a fifty cent dollar, even taking into account the fact that the Canadian dollar was then

about 85 cents, it would have raised the payments to about \$2,000,000 a day.

HON. MR. DAVIS: Yes, it would have doubled it.

COMMISSIONER DAFOE: I do not recall anybody suggesting any method by which so violent a deflation could be effective, and certainly no one tried to estimate the repercussions of so violent an inflation on the national economy.

HON. MR. DAVIS: I would say, if you accept these figures as correct, naturally it would have a very violent effect on the national economy. But the figures I am going to quote here will jibe with the figures of that time. These figures were secured from the Deputy Minister of Finance since we started to prepare this brief. In the last paragraph at the bottom of page 239, we say:

"There are those who deny the possibility of benefits accruing to carefully controlled depreciation in terms of gold (or, again, in terms of the currencies of leading customers and competitors), even for the group of export producers. The question is an open one and, undoubtedly, the burden of proof lies on us. We must demonstrate the grounds for our belief that a 'sound money' policy has deprived the west, as a producer of agricultural exports, of some potential mitigation of deflationary hardships. We are not at this particular point concerned with the bearing of monetary policy upon the national economy, but only with its bearing upon western agriculture."

I am merely stressing again what I said before.

MR. ST. LAURENT: At this point would it not be proper to bring in the figures on table I on page 117. As I understand it, the crop years that were affected were 1931, 1932, and 1933.

HON. MR. DAVIS: Yes.

PROFESSOR BRITNELL: Excuse me, sir, 1932 was not affected because the American dollar had been depreciated at that time.

HON. MR. DAVIS: 1930, 1931 and 1932 primarily, Professor Fowke says.

MR. ST. LAURENT: 1930, 1931 and 1932. Then, the dollar values of the totals --

HON. MR. DAVIS: In these three years would be \$72 millions, \$44 millions and \$56 millions, \$172 million dollars altogether.

MR. ST. LAURENT: No, \$131 million for 1930, \$66 millions and \$72 millions.

HON. MR. DAVIS: Yes, \$101 millions, \$66 millions and \$72 millions, \$239 millions altogether.

MR. ST. LAURENT: And the retail turnover for the same years as shown on page 285, would be \$189 millions for 1930; 70 per cent of that would be about \$130 millions for 1931, and \$112 millions for 1932.

HON. MR. DAVIS: Yes, assuming the effect of the policy operated on both, and that the goods we sell and the purchases we make are made at the same time. But our point is it would operate first on the goods we sell, and at the very time that we needed the help we would have received it, and the compensating factor of the increased prices of things we buy would have come at a later date, and would have, as Professor Britnell has said, given us a breathing space at the time we needed it.

MR. ST. LAURENT: The length of the breathing space would be more considerable with respect to some commodities than others. There are some commodities that would feel the effect of the depreciated dollar almost at once, so it is a matter of conjecture how much of these figures would have been affected at once, and I think you

and I -- perhaps an economist could do it better -- would agree that we cannot decide on any accurate sum.

HON. MR. DAVIS: I do not suppose anybody can figure any accurate sum, although I notice there is an attempt made to do that.

PROFESSOR BRIDGEMAN: On the other hand, sir, there is no conjecture about the immediate reaction of the policy of depreciation on our export prices.

MR. ST. LAURENT: No, and I suppose there is no conjecture about the immediate effect on some of the internal prices as well. There would be an immediate effect on some of the internal prices. However, how far that would go and how quickly it would extend may be a matter of conjecture.

HON. MR. DAVIS: Right.

MR. ST. LAURENT: During the whole of the period the purchases in this province were about thirty-three per cent larger than the farm exports, let us say, according to page 173.

HON. MR. DAVIS: Where do you get the figures of the purchases?

MR. ST. LAURENT: The figures are on page 285. They were \$189 millions for 1931, and I think the sales were \$101 million.

PROFESSOR FOWKE: I was simply going to suggest, Mr. Chairman, the length of the time lag would depend. It is not merely a matter of chance; it would depend a good deal upon the proportion of our material imported going into the manufacture of commodities. I presume that would be one of the important determining factors. I do not know whether that helps us out very much here or not.

MR. ST. LAURENT: If the producers carried into this monetary policy the conduct we generally impute to them

in connection with the tariff they would have put their prices up rapidly.

PROFESSOR FOWKE: Quite so; I think that is correct.

HON. MR. DAVIS: One thing is certain out of it all, it would have been easier for the farmer in this country, even if he had to pay more for the goods he consumed, to carry the burden of fixed costs and also to satisfy his debt.

COMMISSIONER MacKAY: They were pretty short in crops in those years, were they not?

HON. MR. DAVIS: That was 1932.

PROFESSOR BRITNELL: 1932 was well above the average.

HON. MR. DAVIS: If you go back to page 148 you will find that in 1932 we produced 211 millions of bushels of wheat. That is considerably above the average. As I stressed the other day, we received \$54 millions for it; whereas in the 1926 crop year we produced 219 million bushels of wheat and received \$220 million.

PROFESSOR FOWKE: Mr. Chairman, may I suggest that in discussing the point as to commodities which farmers buy we are considering an important point; but we would rather stress the question of fixed charges and the bearing of the monetary policy upon fixed charges in the farm structure. I think that is considerably more important, probably than the question of retail prices; although we do not wish to minimize that at all.

MR. ST. LAURENT: From the viewpoint of the farmer at the end of the year both have to be taken into account.

PROFESSOR FOWKE: Quite so; that is right.

MR. ST. LAURENT: The accumulated fixed charges and the purchases of consumable goods go to make up the outgo from the farmers' purse.

PROFESSOR FOWKE: That is right.

HON. MR. DAVIS: Still, the adjustment of the burden of debt is of more importance to the farmer. If you had a depreciated dollar it would have been the best methods of debt adjustment.

MR. ST. LAURENT: I suppose that would be proportionate to the aggregate totals of the figures. If his fixed charges were larger than \$189 millions of purchases, that would be so; if they were smaller than \$189 millions of purchases, the amount of the purchases would become more important.

HON. MR. DAVIS: Yes; but he would have been able on account of the time lag, if there was one, to take care of that. He would have had that money available.

MR. ST. LAURENT: The money available would not reflect itself in the stuff he bought as quickly as in the stuff he sold. Is that what you mean?

HON. MR. DAVIS: He would have had the money available to take care of his debts in that period and that would have helped him in the period when he needed it most, to satisfy the debt. It would have permitted him to carry on, and would have resulted in the lowering of the fixed charges and the lowering of the debt.

COMMISSIONER MacKAY: Is there not another point in your favour. If the price is doubled and the freight rates remain the same, the price to the farmer would be more than doubled.

HON. MR. DAVIS: Yes.

COMMISSIONER MacKAY: That is, the retail price that he pays may double, but there still would be an advantage in his favour.

HON. MR. DAVIS: Yes, for some considerable time, until there was an increase in freight rates.

COMMISSIONER DAFOE: It would apply to all fixed charges,

taxes and interest and everything.

HON. MR. DAVIS: And the capital of the debt itself.

PROFESSOR FOWKE: In other words, you are pointing out the fact that the freight rate is one of the fixed items.

COMMISSIONER DAFOE: Yes.

HON. MR. DAVIS: I now turn to page 242. I should like to read from the middle of that page, as follows:

"Another consideration is relevant at this point.

In recent years there has been much talk to the effect that the unbending price attitude of the Canadian wheat producer throughout the early depression years served to acquaint the British millers with the fact that other wheats, notably those of Argentina and Australia, might be used as satisfactory substitutes for the Canadian product, furthermore that repeated performance of this act of substitution has served to establish a bias in favour of the substitute products, simply through the cumulative force of habit. Undoubtedly some such transfer has occurred in European demand for competing wheats. The alteration of habit in this regard involves consequences which should not be minimized.

It is possible to argue that the desire of the Canadian wheat producer to avoid selling his wheat at a sacrifice price may have had some influence on shifted demand habits. As against this we urge consideration of the fact that the possibility of substitution of Argentinian and Australian wheat for Canadian wheat was established in Britain during those years when the "sound money" policy of Canada made effective a 100 per cent gold dollar, while at the same time the Argentine peso and the Australian pound were depreciated in terms of sterling by amounts ranging as high as 30 per

cent. It cannot be maintained that the shift in demand habits for competitive wheats occurred entirely independently of the exchange relationships which obtained in the early depression years."

I shall now proceed to page 243 and read two paragraphs there, as follows:

"Had Australia persisted in the application of these and similar policies, which policies are the inevitable expression practice of a staunch faith in 'sound money' there would be no point in drawing a comparison between the Australian depression narrative and that of Canada."

I think the best evidence is to compare Australia with Canada. Our economics are very similar. They did the thing we urged should have been done here. They did not allow depreciation to go to the point where money was not valuable at all. I do not know how it is done but there must be some way of controlling the situation. At all events, they pursued the policy that we urged with very satisfactory results.

Now, let us turn to the point we were discussing a while ago. I shall now read from page 244, the section entitled: "Exchange Depreciation and Foreign Debt Service Charges":

"It does not matter what case may be advanced for exchange depreciation by an export agricultural group faced by a drastically deflationary situation, there remains the obvious fact that such a line of action (if carried to an extent greater than that which applies to the currencies of creditor countries) must increase the burden of foreign debt-service charges. Certainly no other argument was used with such telling force and with such finality when the issue arose in the Canadian House of Commons in the early years of the depression. When the

When the discussion had reached its height in the 1932 session, and when the forces favouring depreciation appeared to be pushing hard against the 'sound money' group, the then Prime Minister 'Rt. Hon. R.B. Bennett) silenced all arguments with a reference to the size of Canadian obligations maturing abroad, and with the ex cathedra utterance that a contract to pay in gold must be paid in gold -- otherwise 'our credit was gone'. His statement of the case follows:

We have maturing outside of Canada this year practically one million dollars a day of obligations of governments, municipalities and public corporations, representing either payments of principal -- instalments of principal, if you will -- or payments of interest"

Viewing Canada's external debt situation in the light of the Prime Minister's statement it is easy to see additional exchange depreciation as, possibly, the 'last straw' which, had it been permitted, might have strained the Canadian economy beyond the breaking point, have caused wide-spread default on government account and seriously undermined the credit of the Dominion. Should the Canadian dollar have been allowed to depreciate 20 per cent off the American dollar, for example, a debt payable in New York dollars would have cost \$1.25, Canadian funds.

Without wishing in any way to minimize the added budgetary burden accruing to depreciation greater in proportion than that true of creditor currencies, it must be said that some aspects of the problem remain to be examined. To say that obligations abroad must be met in gold, or in creditor currencies is to ignore entirely the possibility of refunding operations."

As I understand it, that is meant to include the possibility of refunding operations in the market where the maturities were due at that time. The paragraph goes on to say:

"To say that refunding cannot be carried on in foreign markets if depreciation occurs is to beg the question. Cases are on record where overt and substantial depreciation has failed to prejudice the credit of the country abroad."

The "7" which appears here refers to New Zealand and the British market.

"Finally, to argue on the basis of the added number of domestic monetary units required to meet a given foreign maturity is to leave out of consideration the distinction between a "nominal" increase and a 'real' increase, in the debt burden. It is to centre attention upon the significance of a given number of dollars, or pounds, or pesos, or whatever the unit may be, without giving any recognition to the obvious fact that the real burden upon the taxpayer can be measured only by the difficulty or ease with which the sums are raised. Some would go so far as to argue that controlled exchange depreciation might check the decline in export values and the tax-paying power, and sustain the domestic economy at a level sufficiently above that which would be reached without the exchange stimulus, so that the resultant increase in debt service charges might be much more than compensated for.

Australia depreciated on the basis of such reasoning. She saw, with equanimity, an external debt-service charge of 21 million Australian pounds increase to one of 28 millions; and it was on the reasoned opinion of her economists that while the nominal charges were thus increased, the real burden was actually reduced. Sir Otto Niemeyer had told the Premier's Conference in August

1930 that 'rising exchange rates prejudice the whole fabric of national finance.' In answer to this generalization Professor Copland referred to the existing worldwide deflation and to its peculiar impact on the Australian export economy, and concluded:

In these circumstances, a rising exchange rate so far from prejudicing the fabric of national finance may be the chief means of preventing serious financial disorder and ensuring the payment of external interest charges."

I presume that they pursued the policy suggested by Copland as against the other policy and without the disastrous results that he predicted.

THE CHAIRMAN: Is it not a fact, as I have been given to understand, that Australia had been really forced off the gold standard because she could not maintain her foreign payments.

HON. MR. DAVIS: Well, that may be the actuating thing that decided their policy.

THE CHAIRMAN: So, they had to adopt the best expedient under these conditions. Australia, having been forced off gold made the best of the situation.

HON. MR. DAVIS: Which all goes to prove something can be done to help the individual within the state by the control of monetary policy by the state.

PROFESSOR BRITNELL: Australia was forced off the gold standard in much the same way as Canada was forced off the gold standard. But after that she controlled it in the broad national interest, and with rather more success than we managed to do in this country.in

HON. MR. DAVIS: The next paragraph on page 247 shows what would have happened to Saskatchewan if the policy of controlled depreciation had been in

effect. I shall read the paragraph:

"It is clear that the burden added to budgets over any period of time, due to the necessity of meeting gold, or foreign, obligations by means of domestic monetary units of depreciated value, is a determinate item. For instance, on Saskatchewan maturities in 1931 and 1932 totalling \$5,000,000, exchange charges amounted to \$754,899.12, or approximately 15 per cent on the face of the securities. Similarly exchange charges on Saskatchewan coupons were as follows:

1931-32	\$195,503.
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1932-33	358,748. "
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I may say in connection with the large figure of \$754,899.12 that there was one short period in the national market that had a considerable effect on that figure.

THE CHAIRMAN: That was during the period our dollar was at a substantial discount, compared with the American dollar.

HON. MR. DAVIS: Yes. The next paragraph reads as follows:

"It is possible to ascertain the exchange charges which have been paid by political units over any period in the past and it is equally possible to estimate the exchange burden contingent upon a given anticipated degree of depreciation in terms of creditor currencies, over a period of time. To do so for Canada would necessitate a detailed analysis of the public debt figures for all governmental units within the Dominion — federal, provincial and municipal. It would necessitate a classification of those figures, to indicate where and in what currency or currencies the various issues were payable.

It would further require that a distinction be made between issues maturing within the period under consideration and those maturing later. This latter distinction is necessary because of the fact that, on maturities, the exchange charge applies to the principal, while on obligations not yet due, exchange charges apply only on interest. A sweeping statement regarding the public debt of the country is not sufficient to indicate even the monetary -- that is, the nominal -- increase in budgetary loads to be expected from a given degree of exchange depreciation. Finally, to speak even in terms of foreign maturities, while one step closer to relevant data, is still not enough. While the Canadian dollar was 'suspended' midway between the United States' dollar and the British pound, maturities in New York involved exchange burdens for Canada, compensated, at least in part, by sterling maturities redeemed at the same time at a discount.

In an effort to secure additional information on the burden of exchange on debts held outside Canada, in the early depression years, we requested Dr. Clark, Deputy Minister of Finance at Ottawa, to provide us with materials from which we might arrive at a statistical approximation of the desired information. Unfortunately he was compelled to inform us that much of the data requisite to such an investigation -- notably those concerning the provinces and the municipalities -- was lacking. He did, however, provide information as given in Table I to indicate the distribution of Dominion bond issues as among the various money markets for the period in question."

That is interesting. In 1931 the total number of Canadian bonds outstanding amounted to \$1,671,334; in 1930, \$1,715,831. These bonds were outstanding in

Canada, out of a total of \$2,379,043 and \$2,283,540 respectively. In Canada and New York -- two way bonds -- there were outstanding \$91,041,000 in 1930; in New York alone \$165 million and in London \$311,668,000. I presume the ones we would be chiefly concerned with at that time would be the New York maturities. This table shows there were \$265 million payable in New York in 1931.

THE CHAIRMAN: In Dominion bonds?

HON. DAVIS: In Dominion bonds, out of a total of \$2,379,043 in 1931. As is stated on the top of page 248 this is not all interest. It may be interest on certain obligations and principal on others. The next table shows the maturities for these years. We can eliminate the matured debt payable in Canada. There was one due in New York in the years under examination. It amounted to \$25 million. It was due on the first of April, 1931. On May 1st, 1931, the huge amount of \$638,609,000 was due and payable in Canada. On December 1st., 1932, \$40 million were payable in New York and Canada.---There was nothing from April 1st., 1931 to December 1st., 1932. The next one due in New York was due on October 1st., 1933. The total is \$125,000,000. That is the entire amount of the dominion obligations payable in New York during the three years under consideration.

THE CHAIRMAN: That is in principal.

HON. MR. DAVIS: That is in principal and the interest thereon.

THE CHAIRMAN: The interest would be in addition.

HON. MR. DAVIS: The interest on these three items would be in addition.

THE CHAIRMAN: Computed in the items contained in table 1?

HON. MR. DAVIS: That is correct.

THE CHAIRMAN: Of which there were \$265 millions in 1930, \$396 millions in 1931 and \$371 millions in 1932.

HON. MR. DAVIS: There were 391 millions due in 1933. That is quite correct, interest on that entire amount plus the capital of the three items. But even this, I do not think, presented a problem that would have materially hurt us.

THE CHAIRMAN: Have you any information as to the maturities of the municipalities or provinces?

HON. MR. DAVIS: Table 3 purports to cover that. It is only an estimate. You might explain that, Professor Fowke.

PROFESSOR FOWKE: Table 3 is derived from data supplied by Dr. Clark, but the estimate is from A.E. Ames & Company. We have given credit to various persons in the body of the text.

HON. MR. DAVIS: Yes. I notice on page 249 credit is given for the figures that appear in the table on page 250. The provincial direct debt, payable in the United States, was \$769,198,150.

COMMISSIONER ANGUS: That is the total indebtedness, not the maturities?

HON. MR. DAVIS: That is the total indebtedness. It does not say they are all due. It would have involved interest on outstanding provincial guarantee debts payable in the United States to the amount of \$56 million. We have no figures on the maturities as in table 2.

PROFESSOR FOWKE: No.

THE CHAIRMAN: Of that estimate there would be payable in the United States \$1,100,000,000, and --

HON. MR. DAVIS: Professor Fowke says that page 250 sums up the situation. I shall read that.

"Granted that the data regarding the provinces and municipalities constitute only an estimate, and granted that this estimate relates to January 1, 1933,

while dominion figures relate to the close of the fiscal year (March 31) it is nevertheless valid to sketch the following picture of the bonded indebtedness of the various political units within the Dominion (the federal unit included) as in the early months of 1933. In round numbers the total bonded debt for all units approximated 5,500 million dollars. Of this total 3,400 millions were payable in Canada -- some in sterling; 1500 millions were payable in New York -- some optionally; and 600 million was payable in London.

It is on the basis of such an analysis as this that we urge the importance of the distinction between a 'nominal' increase and a 'real' increase in debt burdens. Exchange charges constitute an increase in the number of monetary units required to pay a debt of a given face value, but such charges apply only to maturities of interest and principal payable in currencies which are at a premium in terms of the domestic currency. It is quite true that such charges may constitute an increase and a substantial one, in the 'real' debt burden, providing there is no additional source of taxation."

MR. ST. LAURENT: To complete that picture, Mr. Davis, and to determine the real effect one would have to have the aggregate amount of the debts payable two or three ways by other than the units of government.

HON. MR. DAVIS. You mean by individuals?

MR. ST. LAURENT: Individual companies, railways, utilities and so on. I have not been able to get anything that would approximate that, but I do find in the year 1935, a total of \$3,990,000,000 which includes for government units \$1,087,000,000 leaving almost \$3,000,000,000 for the public utilities, the industries, merchandizing services, insurance companies and financial companies.

HON. MR. DAVIS: That is debt due outside of Canada?

MR. ST. LAURENT: In the United States.

HON. MR. DAVIS: In the United States?

MR. ST. LAURENT: Yes. The amount of indebtedness held by United States citizens may not all be in this form.

HON. MR. DAVIS: I would judge the majority of that amount of interest was in shares; otherwise it would mean the bankruptcy of Canada, and they would have to take what they got.

MR. ST. LAURENT: No; in the province of Quebec a large portion of the industrial bonds were at that time payable two ways, and some of them three ways. One would have to complete the picture.

HON. MR. DAVIS: Take the industries. Would it not be fair to say that the vast majority of the capital in an industry would be invested in the share capital of the company rather than charges by way of bonded indebtedness. I believe that is true.

MR. ST. LAURENT: It might be true as to the particulars, but I am not sure that it would be true as to the volume of the indebtedness.

HON. MR. DAVIS: The C.P.R. have followed this method of financing. They have pursued a policy of keeping their capital investments in shares rather than in indebtedness by virtue of borrowing through one source or another, and I think that is wise.

MR. ST. LAURENT: I understand it is very difficult to get sufficient data to make the picture complete, and it was not possible to get the information about the private companies which would be required.

MR. FOWLE: It is quite necessary, Mr. Chairman, to make it clear that all we have planned really is a budgetary picture. We have simply been unable to touch

the private company at all.

COMMISSIONER MACKAY: The table on page 249 does include railway guarantees, does it not?

HON. MR. DAVIS: I think it includes the C.N.R. guarantees.

PROFESSOR FOWKE: There is no mention of that in Mr. Clark's letter. I presume these are direct obligations.

COMMISSIONER DAFOE: Mr. Bennett's statement seems to indicate he must have had the private concern in his mind.

HON. MR. DAVIS: Yes. In those years there were \$125,000,000 due direct. In those two years, from April 1st., 1931 to 1st October, 1933, there were \$125,000,0000 capital maturity.

THE CHAIRMAN: On which page is your extract from Mr. Bennett's statement.

PROFESSOR BRITNELL: It does mention governments, municipalities and public corporations. That is a pretty wide term.

COMMISSIONER DAFOE: Have not Americans invested \$4 billion or something like that in Canada? There would be an enormous exchange question arising from the holding of these securities.

HON. MR. DAVIS: Yes; I presume he must have had that in mind. He says "governments", that would include municipalities. Then, he uses the words "public corporation". He must have meant private corporations carrying on private business.

COMMISSIONER SIROIS: I was rather interested in your figures on page 250. You show \$328,089,894 payable in the United States.

HON. MR. DAVIS: No. \$769,198,150 payable in the United States, and \$56,074,326 guaranteed in the United

States, a little over one billion dollars a year.

COMMISSIONER SIROIS: If you take a rate of 4 per cent would that amount to about a million a day?

HON. MR. DAVIS: No, it would not amount to a million a day, 365 million in a year.

COMMISSIONER SIROIS: You have also federal interest to be paid.

HON. MR. DAVIS: It would not total that much.

COMMISSIONER SIROIS: It would not be very far from it.

HON. MR. DAVIS: These figures are pleasant to talk about. With a Dominion debt of \$1,000,000,000 outside and with a rate of 4 per cent, it would amount to \$40,000,000. If you divide \$40,000,000 by 365 you will get the figure. I shall now read the second paragraph on page 251.

"Moreover, this further distinction must be made. If we are permitted to assume a domestic tax system wherein levies are imposed, as a rough approximation, according to ability to pay, it follows that increases in foreign-debt charges arising from exchange depreciation will be apportioned throughout the national economy on the basis of a principle generally recognized as equitable. The same cannot be said for the increases in debt burden resultant from deflation. Such increases relentlessly seek out vulnerability, rather than ability to pay: for, granted only that debt exists, the increase in its actual burden, due to deflation, is in direct proportion to the extent of the loss of income attributable to the same cause.

To a community of export producers such a debt analysis as this is real and of vital importance. Leaders in such a community are fully aware of the potential validity of 'sound money' policy in terms of

the well being of the national economy. No efforts which are put forth to avoid increases in foreign debt burdens, and to preserve the credit of the Dominion, and of its integral political units in foreign markets, can pass without commendation in any part of the country. Nevertheless, the export producer is aware that his income suffers first, and to a greater extent than that of almost any other group, since a policy of 'sound money' allows deflationary forces to work out their full effects; and he is as fully aware that his debt burden, though of unchanged face value, increases directly in proportion to the decline in his income."

I think that covers the whole submission. The brief continues:

"This submission is not to be considered as an argument for inflation. It is not suggested, moreover, that the 'sound money' policy was unwise when applied to Canada as a whole. Assuming that from the standpoint of the national economy it was desirable to postpone inflationary measures, the fact remains that the western producer suffered from the postponement. This is very evident as a result of comparisons with the agricultural producers of other nations. Looked at in this manner the western farmer made a sacrifice for the rest of Canada, but a sacrifice that brought distressing results upon him. Many westerners are not free of the belief that such sacrifices are frequently called for as a result of the centralization of power in eastern Canada."

I commend these two paragraphs to the commission.

COMMISSIONER DAFOE: Mr. Davis, I do not suppose there is any dispute that if these results had been accomplished by the ordinary movement of policies the benefit would have been very great. The only definitely determined policy that

affected the price of the Canadian dollar was, of course, the increase in tariff. Undoubtedly, there would have been a considerable depreciation of the Canadian dollar, and it would have had some of the results you mentioned.

HON. MR. DAVIS: The increase in the tariff kept the goods out and maintained our money at a higher value.

COMMISSIONER DAFOE: Kept our dollar up. But what seems doubtful to me is whether what Dr. MacGibbon in his presidential address to the political science association called the resolute policy of inflation in Canada, which would have involved the bank selling our dollars at fifty cents with the dominion government standing behind it to guarantee loss, would not have affected the situation. It raises a question in my mind whether the shock to the national economy would not have been so great that it would have offset, even in Saskatchewan, any advantages to the primary producer. The whole question, of course, is very controversial.

HON. MR. DAVIS: Very theoretical, but we did not do it.

COMMISSIONER DAFOE: Perhaps you will let me read into the record a discussion on that by a western economist who had very close relations with our primary production. Dr. MacGibbon was president of the political science association, and in his presidential address he admits there would be advantages in adjusting or bringing prices to equilibrium, but he says:

"But in the main the advantages claimed rest upon the assumption of other things remaining the same. But other things never do remain the same and this holds particularly true in the field of foreign exchange at the present time. Deliberate currency dumping to obtain advantages in the field of foreign trade would be bound to invite reprisals."

That is a phase of the question that has not been considered. The quotation goes on:

"The effects of such a policy in certain instances could be quickly nullified by exchange dumping duties and quotas, or in other circumstances by competitive depreciation. When the British pound fell below the Canadian dollar, exchange dumping regulations checked any influx of goods due to sterling depreciation into Canada."

His conclusion is:

"On the whole the balance of advantage appears to lie against the deliberate inauguration of a resolute policy of inflation in Canada."

I quote that to show that there was a very marked divergence of opinion --

HON. MR. DAVIS: Yes, I appreciate that.

COMMISSIONER DAFOE: And that the whole question was then very controversial, doubtful and in retrospect still is.

HON. MR. DAVIS: Well, in Canada we did not pursue the policy therein discussed as theoretical. But if you go to Australia you get away from the theoretical; there it is actual. They pursued that policy and the results there apparently are substantial. Conditions improved. Theoretically all this would have resulted here.

COMMISSIONER DAFOE: The depression there was almost a calamity compared to the depression in Canada.

HON. MR. DAVIS: I can't answer that; 48 per cent in Australia was the maximum depreciation.

COMMISSIONER MacKAY: There is another factor that I think probably should be considered in the Australian situation and that is the fortuitous circumstance of Japan becoming a great market for Australian wool. That,

I say, was fortuitous and had a very substantial affect on the national economy in bringing Australia out of the difficulties she was in.

HON. MR. DAVIS: That undoubtedly would be a factor but whatever was the factor the result is Australia did come through this thing possibly better than any other country in the world, judging from press reports.

They were in a worse position, as I said before, in the early stages of the depression, and they had Bank of England experts out to inquire into what they should do.

They were in what was virtually a national bankruptcy position, but they applied a certain policy and all of a sudden the whole picture is changed, and now they are as prosperous as any part of the world, partly due to increased purchases of wool by Japan, probably, but no doubt influenced by the internal policy of Australia.

COMMISSIONER SIROIS: The result is there.

HON. MR. DAVIS: The result is there; the proof of the pudding is in the eating.

THE CHAIRMAN: The difficulty is as Professor MacKay has pointed out. I know it was a common saying in connection with the revival in Australia that Japan had pulled Australia out of the hole by the purchase of great quantities of wool to clothe the Japanese army suitably to live in Manchuria.

HON. MR. DAVIS: And to fight China.

THE CHAIRMAN: A combination of circumstances, heretofore it is difficult to make a comparison. Our difficulty is this; we are to find facts. There are so many assumptions one has to make in connection with the currency problems, and it is difficult to say what facts one can find in view of the whole matter being theoretical, as you say, because it was not put into effect. It is very difficult to say

what the possible eventualities may have been.

HON. MR. DAVIS: Oh, yes, that is true.

PROFESSOR FOWKE: May I make a suggestion, Mr. Chairman? I should like to emphasize the point that the tariff policy in the depression years would undoubtedly strengthen or bolster the dollar. The suggestion has been made at various times that the dollar sought its own level throughout the year. We have no experience of controlled exchange. We have not had blocked exchange or rationing of exchange. That tariff increases in the earlier depression years were couched apparently, in terms of their expected effects on the dollar. There is also the fact that in October, 1930, Canada borrowed 100 million dollars in New York. That loan was not for the purpose of bolstering up the dollar, but the effect was there. So we did have a policy designed to hold the dollar, I think, somewhat at its own level. The description of the policy in regard to the dollar as a laissez faire policy must be used, I believe, with extreme care in that regard. It is quite correct to say that other things do not remain equal. That is, if we had depreciated more or sooner undoubtedly the price of wheat would have been different from what it was at Liverpool.

We have made no attempt to try to measure the benefit which would have accrued to western Canada from an earlier depreciation. We have simply had the estimates made on the assumption that the Liverpool price would have remained fixed, because there is no question if we had sold greater quantities of wheat the Liverpool price would have gone down some. We could not say how much it would have gone down. We simply refuse to hazard a guess, because there is no point in making a guess. We do say that there are details of consideration which may indicate that the decline in

the Liverpool price of wheat would not have been sufficiently great to wipe out the advantage. One of these considerations is included in a part of the brief that we skipped over. On Page 241 we discuss the elasticity of the demand and supply. I should like to call the attention of the Commission to that discussion of the conditions surrounding the supply of Canadian wheat and the demand for Canadian wheat. I shall simply leave it at that. There is a further consideration, of course. At that time Canada was building up tremendous surpluses of wheat. These surpluses we know have an influence upon the price of wheat held. If we had sold more of that wheat on the market it would have forced the price down somewhat. The influence would not have been an entirely new one. The Liverpool price of wheat throughout the years when Canada was building up her tremendous surplus was, I think, a price which followed the effects of a surplus which were being built up, and the increased sales induced by control exchange depreciation would, I think, undoubtedly have depressed the Liverpool price somewhat. There are these two or three factors which we might keep in mind in trying to evaluate the circumstances.

HON. MR. DAVIS: That brings us to the end of that particular section.

THE CHAIRMAN: That is a very interesting statement of the whole proposal, and from your point of view, if I may say so, very admirably expressed and set forth in the brief;

HON. MR. DAVIS: One from which a layman can get an idea of the whole thing by perusing it. I was able to do that.

THE CHAIRMAN: We shall resume at 2.30.

The Commission adjourned at 1.00 p.m. until 2.30 p.m.
(Page 1825 follows)

AFTERNOON SESSION

The Commission resumed at 2.30 p.m.

THE CHAIRMAN: All right, Mr. Davis.

HON. MR. DAVIS: Mr. Chairman, we were at page 252, which deals with another handicap in the economic life of the province. I will read the first paragraph only:

"It is difficult to urge that the economic life of the province has been prejudiced by the fact that the growth of manufacturing has been so slow except in connection with the further fact that prosperity has depended in the past upon the production of a single commodity. There is a relation between these two factors which is difficult to analyse as a matter of cause and effect."

I think we agree that if we could balance our economy better, whether or not we can do that, it would be infinitely better.

And now from page 253:

"If the province can be put in a position to undertake a programme of development, particularly of power and mineral wealth, a better balanced economy for the province, including some increase of manufacturing, will no doubt result."

Later on we are going to deal with the question of mineral possibilities in the province and what might be done in that regard.

Then we come to the section dealing with the Lack of Improved Highways.

THE CHAIRMAN: Before you come to that, Mr. Davis, you have at present a large power development, have you not?

HON. MR. DAVIS: There is a large power development on Churchill River, at Island Falls, north of Flin Flon,

which supplies Flin Flon and Sheritt Gordon. They are putting in a new unit there that will develop approximately 70,000 horsepower at the end of next year, to be utilized in connection with mineral development.

Then at the present time, in the northwest corner of the province, at the very tip of the province, Consolidated Mining and Smelting are engaged in putting in a power plant at Tazin Lake, north of Lake Athabasca. Lake Athabasca is partly in Saskatchewan and partly in Alberta, and north of that a power development plant is being put in. That will be the second power development that is being put in for the development of mining.

Now I come to highways:

LACK OF IMPROVED HIGHWAYS

"The Government of Saskatchewan desires to make certain representations to this Commission with respect to highway construction within the province. Approximately one-half of the province has been subdivided into sections and road allowances. A small portion of the province is subdivided into sections with a 99 foot road allowance on all sides. In the balance of the subdivided area there is a 66 foot road allowance running north and south every mile, with an allowance of the same width running east and west every two miles. The total length of these road allowances is 210,000 miles." That is, 210,000 miles of road allowances in the settled portions of Saskatchewan.

"When the province of Saskatchewan was formed in 1905, virtually no roads at all had been improved, as the population was sparse, and scattered over an immense territory. People were still using the trails and roads of pioneer days, which came

"into being through use and not through construction. With a rapidly increasing population, the construction of highways became necessary."

Then we go on to deal with the difficulties, and the necessity for building highways, and what was done towards that end.

Then on page 254 we give the total mileage of the highway system. The province took over and assumed responsibility for a certain portion of these 210,000 miles of road, to be designated provincial highways. The total mileage of roads taken over by the province in 1922 was 7,005, and now our provincial highway system covers 7,806 miles--a tremendous mileage of government supported highways in this province.

THE CHAIRMAN: That is the government mileage?

HON. MR. DAVIS: Yes.

THE CHAIRMAN: And the municipalities look after the rest, so far as they are cared for?

HON. MR. DAVIS: With assistance. We used to make a practice of giving the municipalities grants for road construction, unconditional grants from the treasury to assist the municipalities in the building and maintaining of the main market roads; but that policy has of necessity not been very much adhered to in recent years owing to the financial condition of the province, but we are looking forward to the time when we can help the rural units with market roads, which are of prime importance to the farmer in getting to market.

Table I, on page 254, indicates the subdivision of the highway system.

Saskatchewan Highway System, December 31, 1936.	
	Miles
(a) Standard earth grade	3,642

That is the ordinary dirt road.

(b) Gravel surfacing	Miles 2,402
(c) Bituminous treated gravel	132

That is a black top, not a concrete road. It is the most satisfactory type of road we have in the province, but we have only 132 miles of that type of road in the entire province out of a total mileage of 210,000. Then:

(d) Not yet constructed	Miles 1,630
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Then Table II, on page 255, shows the highway mileage open for traffic in 1935. It shows the number of hard-surfaced roads in the province of Saskatchewan at that time. We had 70 miles of what you might call superior type highway, as against 2,244 in Ontario, 1085 in Quebec, and 12 miles in Prince Edward Island.

Then the gravelled mileage is given, and the roadways not surfaced and amounting to a mileage of 153,215, which I presume is as much if not more than for the whole of the rest of Canada put together.

THE CHAIRMAN: Is the whole of that 153,000 miles travelled roads?

MR. DAVIS: A great deal of it is; I think the vast majority of it is--trails and municipal roads.

THE CHAIRMAN: The old trail used to be very good road in the summer time, but not in bad weather.

HON. MR. DAVIS: Yes, these roads are impassable in bad weather.

Then I would like to read a paragraph at the top of page 256, to stress a point I am going to make later:

"The northern half of the province of Saskatchewan is in the precambrian rock formation. It is largely interspersed with lakes and rivers and covered with a heavy growth of timber. The Government of Canada has developed in the wooded section of the north, a National Park known as the

"Prince Albert National Park. Within the boundaries of this park are to be found wonderful lakes and rivers and wooded areas which make it an ideal recreational spot for those who live on the prairies of the west, including the prairie states to the south of the international boundary. These people have little chance of seeing woods, lakes and streams such as are to be found in Northern Saskatchewan."

Then we go on to describe shortly the northern part of this province, and then on page 257 is given a Table which indicates the terrific expenditure made annually in Canada by the tourists who come to this country. The tourist traffic is now a great national industry in Canada, bringing in huge sums of money each year, and we are suggesting that some steps towards the balancing of the economy of this province in a small degree could be taken if the Dominion government would step in and do something to stimulate tourist traffic in Saskatchewan because we have an ideal tourist ground, as the paragraph I have just read indicates, the equal of any in Canada.

THE CHAIRMAN: Is this National Park north of Prince Albert?

HON. MR. DAVIS: Yes.

THE CHAIRMAN: I would think the federal member for Prince Albert would be interested in that development!

HON. MR. DAVIS: He is responsible for putting the Park there, for the advantage of all the people of Saskatchewan.

THE CHAIRMAN: He is looking after the interests of his constituents?

HON. MR. DAVIS: He is not allowed to forget that very often.

We feel that something should be done in this province to develop our tourist traffic, particularly from the United States and Ontario because, used to the type of roads they have there, they will not travel even on our gravelled roads, because the dust menace as a result of gravelling makes them very difficult to travel over, and that is retarding the development of the tourist traffic in Saskatchewan. If Canada wanted to make some little contribution towards the equalizing of things there is the place in Saskatchewan where something of a concrete nature could be done. As we suggest in this last paragraph on page 257:

"It is highly desirable in the interests of building up this industry in Canada that there should be a trans-continental highway from coast to coast."

That is the first suggestion.

"The construction of an adequate highway, if left to the province of Saskatchewan, will be long delayed. The financial situation in the western provinces will retard the development of a trans-Canada highway across these provinces. The cost of highway construction in the province of British Columbia will retard the construction of this highway, and likewise, construction will be retarded in western Ontario and eastern Manitoba, particularly over the long stretches of rocky and uninhabited country."

That is, if it is left solely to provincial assistance.

THE CHAIRMAN: I thought a section in British Columbia had been pretty well constructed.

HON. MR. DAVIS: I think it is pretty well constructed, but there is a small section from Golden west to be constructed.

COMMISSIONER MacKAY: You have none constructed in this province by the federal government?

HON. MR. DAVIS: No, we have financial aid in the construction of No. 1, our main highway. There has been some financial aid from the federal government in the last two or three years. At the time the Canadian Pacific Railway was built, the purpose of its construction was that it would weld the different sections of Canada together, and it was undertaken as a national project. I think we should apply the same thing with respect to building a trans-continental highway, and we think that Canada should step into the picture and help us in that regard.

We suggest also that the federal authority might well spend federal funds, not only in Saskatchewan but in all the provinces, for the purpose of constructing highways from the international boundary to the National Parks. There is a National Park, I think, in every province of Canada, and they are engaged now in British Columbia in building a road from the international boundary to a point east of Cranbrook.

THE CHAIRMAN: Is the Dominion government building this road in British Columbia?

HON. MR. DAVIS: Yes, with the aid, I think, of the province of British Columbia. They are assisting financially. They are in a position so to do. We are not at the moment in a position to do that, but we think it would be well if Canada could step in in this province, and possibly other western provinces, and do

something along these lines because the tourist traffic can be a tremendous source of income, and tourists are ready to cross the boundary and come into our province but they insist on good roads before they will come into the country. They will not travel on the type of roads we have got.

That takes me down to Natural Resources on page 258. I do not propose to read all the sections under this head, but I shall attempt to explain the situation very shortly.

When the provinces of Saskatchewan and Alberta were formed, their natural resources were retained by the federal authority, and that was done for the purpose I have already indicated, and as the debates in the House of Commons indicate, to settle this country as rapidly as possible, and it was felt that that could be done more advantageously if control of the natural resources was left with the federal authority. Accordingly that was done and the federal authority retained control of the natural resources of Saskatchewan and Alberta from 1905 down to 1930, when an arrangement was made between Alberta and Saskatchewan and the federal authority whereby the natural resources would be transferred back to these provinces. It was a term of the contract in the case of both provinces that a Commission should be set up to ascertain the amount to be paid by Canada to the provinces of Alberta and Saskatchewan for the resources that had been alienated by the Dominion of Canada for the benefit of all Canada. Accordingly, Commissions were set up. There is nothing in the contract that says that the finding of the Commission is to be

binding on Canada or the province concerned. The Commission was merely to make a finding and report back to the two authorities, the province on the one hand, and the Dominion Government on the other.

In the case of Saskatchewan a Commission of three was appointed, and in the case of Alberta a Commission of three. The personnel of the Commissions was not the same in each province. The two federally appointed members were the same in each case, but in the case of Saskatchewan the third member was a Saskatchewan judge, and in the case of Alberta, the third member was an Alberta judge. They made their findings and a majority report was brought in recommending that the sum of \$5,000,000 be paid to each province. As the majority report indicates, that was merely a compromise. They had no mathematical basis on which to make that recommendation, and so they merely suggested as a compromise that Canada pay these two provinces \$5,000,000 each.

In the case of Saskatchewan, the third member of the Commission was the Hon. Mr. Justice Bigelow, of our Court of Kings Bench.

There had been a similar inquiry in the province of Manitoba made by Mr. Justice Turgeon, of our Court of Appeal, and he brought in the recommendation that certain sums be paid to Manitoba based on certain mathematical calculations. That sum was paid, and the case was closed so far as Manitoba was concerned. Mr. Justice Bigelow took the formula utilized by Mr. Justice Turgeon in arriving at his conclusion with respect to Manitoba, and applied that to the province

of Saskatchewan and found that the province of Saskatchewan was entitled to receive from Canada, on the same basis of calculation that Mr. Justice Turgon had used in the report he made in the case of Manitoba, the sum of \$45,000,000.

I am not going into all the details because the last paragraph on page 272 summarizes what we have in mind.

"The government of Saskatchewan has considered it wise to bring this matter to the attention of the Commission as a step towards the solution of this problem. Both Canada and Saskatchewan have recognized that there is a claim requiring settlement."

That is correct.

"The members of the Commission appointed to fix compensation for alienation of resources acknowledged a claim--

That is correct.

"--although the recommendations in the majority and minority reports differ in amounts. It is therefore felt that when the whole question of relationship between this Province and Canada is under review, this claim should likewise be reviewed and a recommendation made which will aid in settling this dispute."

That is, if there is to be a financial settlement as between Canada and the provinces, this might be included in it and everything settled once for all.

THE CHAIRMAN: While that may be a very sound proposal, Mr. Davis, is that not a matter between Saskatchewan and the Dominion? A great deal of evidence was taken by that commission, as I recall it,

and fairly elaborate majority and minority reports were presented. We cannot go into the details of what that Commission did, and with the multitude of matters that we have to deal with, I think it is not in your interests that we should lump that with the other matters.

HON. MR. DAVIS: I thought possibly if you were making certain recommendations, and certain concessions were to be made, you might feel this was a matter on which we might give way a bit.

THE CHAIRMAN: We might say we think it should be settled on some basis, but I do not see how we can express any opinion without going into the whole matter. We cannot do that. We have not got the evidence before us, and we are not sitting as a board of review upon the findings of that Commission. I quite agree that it is an appropriate thing that in any financial readjustment the whole situation should be cleared up, but would not that be a matter for negotiation between the governments after our report is presented?

HON. MR. DAVIS: That is quite correct, Mr. Chairman, and possibly this is more of a suggestion to the government of Canada than it is a suggestion to the Commission meeting here to-day.

Next I come to Social Services, in Part VIII, and I am going to read a few pages of this.

THE SOCIAL SERVICES

"There will be some disagreement as to what is to be comprehended by the term "Social Services", although the services to be included within that expression will not vary greatly from province to province. As used in this submission, the term is meant to include those activities of govern-

"ment which involve an expenditure of money when the predominant wish is to secure for the weak, the old, the under-privileged or the unfortunate, a degree of protection through the medium of state intervention."

That is a definition, as we understand it, of Social Services doing these things.

COMMISSIONER MacKAY: It does not include education?

HON. MR. DAVIS: Yes, we are coming to that.

"It likewise embraces those services performed by governments with the design of increasing the efficiency of the individual while creating for him an opportunity for realizing himself and enjoying privileges that he could not procure for himself. It is quite true that all activities of government are in theory designed for the public good, and no sharp division can be drawn. Commonly, however, the social service is regarded as being positive in nature, the needs of the recipients as members of society being considered. Perhaps, after all, the term is merely applied to the newer services, those which formerly people were supposed to get for themselves. The luxuries of yesterday are the needs of to-day. Such a concept is altogether proper if the end of government is to satisfy the needs of the people.

Under the term social services as used in this submission, will be included education--" There is education mentioned, Mr. Commissioner.

"--public health services, public institutions, such as mental hospitals, children's homes, and schools for the deaf; grants such as those for child welfare and maternity, mothers' allowances,

"relief of destitutes, etc. Likewise, expenditures incurred in the administration of the Minimum Wage Act, the inspection of factories and, generally, services connected with the welfare of labour. Details concerning this matter may be found in statement 14 of Appendix "A", under the heads Education and Public Welfare."

THE CHAIRMAN: While in a broad sense education may be said to be a social service, it has never been so considered or discussed in Canada in dealing with the problem of the increase in social services. Education has always been well understood and well recognized function of the state or the church, as the case may be, and it does not appear to me that it adds to clarity to put it in here as part of the social services. However, it may not make any difference in the end.

HON. MR. DAVIS: It is a governmental responsibility and concern of the State, and the result is the same whether it is under the head of Education or Social Services.

Next we deal with the Growth of Social Services.

"At the time of the formation of the province in 1905, the total of expenditures for matters considered as social services in the definition as given above, was very small indeed. Aside from the support of education, the Public Accounts for the year 1905 reveal an expenditure of \$11,000.00 for the support of mental hospitals; a \$40.00 payment to the home for the infirm; slightly over \$100.00 for the relief of destitutes and a sum somewhat below \$500.00 for the education and maintenance of the blind."

Those are striking figures. That was the situation in 1905. In those days it cost \$40.00 to maintain the infirm, and slightly over \$100.00 for the relief of destitutes. Compare that with our expenditures to-day.

THE CHAIRMAN: I suppose in those days the inhabitants would all be young vigorous people, apart from two or three settlements?

HON. MR. DAVIS: Yes.

"In the year 1907 a hospital grant in the sum of slightly over \$13,000.00 appears. In 1911 the first record of an expenditure under the Child Welfare Act is shown. In 1919 mothers' allowances and maternity grants appeared. The year 1921 marks the beginning of payments for the support of education for soldiers' dependent children; old age pensions were first paid in 1929 while in 1931 payments are first recorded for the support of a psychopathic hospital and in 1932 for the support of a school for the deaf. Usually, when a grant in support of any particular service had once been made, the annual grant continues to grow from year to year. Table I gives the total expenditures for social services for selected years beginning in 1911 and ending with the current year. It will be observed that at the end of the period referred to, expenditures under the head of social services were almost ten times as great as at the beginning of the period."

That indicates that at the time of Confederation the Fathers of Confederation never in their wildest dreams supposed that the State would one day be supplying these services, and the system they set up for the

distribution of revenues never had the social services in contemplation.

The next is Table I on page 274, showing Social Service Expenditures for selected years.

COMMISSIONER MacKAY: Is there a breakdown of this anywhere?

HON. MR. DAVIS: Yes, on page 386. Education is on page 390, which gives a detailed comparative statement of expenditure on income account from 1911 to 1937. The large items will be found in 1937, when school grants totalled \$1,865,000.00, out of a total expenditure of \$2,875,000.00. The details respecting Public Welfare expenditure are to be found on page 390. I would ask Mr. Estey to explain that.

HON. J. W. ESTEY (Minister of Education): The figure of \$880,000, under the heading April 30, 1921, in the third column on page 390 should be supplemented by adding it to the figure of \$492,000, which is about four lines down. There was a special supplementary revenue tax specifically allocated at that time for the payment of grants, and the two items should be added together for that year. They do not appear in that way later on.

THE CHAIRMAN: Thank you.

HON. MR. DAVIS: The statement on page 392 indicates the coming into being and the growth of the new social services, and the expenditures in respect of them. It will be observed that the cost of Mental Institutions in 1937 was a little over \$1,000,000, and Hospitals Grants, \$416,000; old age pensions--this is the whole one hundred per cent--\$2,400,000 in 1937. That is the cost of Old Age Pensions in this province.

Turning back now to the bottom of page 274, we deal there with Conditional Subsidies. That was a matter discussed, I think, when the Commission was in the province of Manitoba, when the suggestion was made that conditional subsidies should be provided and divided up between Canada and the provinces on a fifty per cent basis. I should like to file a statement, Mr. Chairman, of the Conditional Subsidies received from the Dominion of Canada and the Board of Railway Commissioners from the inception of the province down to April 30, 1937. It shows the total for conditional subsidies received by us from the federal treasury.

THE CHAIRMAN: Are they broken down?

HON. MR. DAVIS: Yes, they are.

EXHIBIT NO. 58: Statement of Conditional Subsidies received by Saskatchewan from the Dominion Government, and Board of Railway Commissioners.

COMMISSIONER ANGUS: Do these services terminate with the subsidy?

HON. MR. DAVIS: I am coming to that in the next paragraph:

CONDITIONAL SUBSIDIES

"From time to time assistance has been received from the Dominion Government in the form of conditional subsidies. By this term is meant that the grant is made on condition that the province perform some stipulated action, usually an expenditure of a sum of money calculated by percentage or otherwise, from the provincial treasury. Leading examples of conditional subsidies to the province of Saskatchewan have been those in support of employment services begun 1919-20 and continuing to the present time; the grant in support of treatment of venereal diseases which extended from the year 1919-20, to the year 1931-32; the grant in support of

"vocational education begun in the year 1920-21 and the grant in support of the payment of old age pensions begun in the year 1928-29 and which is being paid at the present time. With reference to old age pensions, the Dominion Government contributed fifty per cent during the period May 1st, 1928, to October 31st, 1931. Since the latter date the Dominion has contributed seventy-five per cent thereto. Throughout the whole period the province has borne the administration expenses of old age pensions."

There are two cases where a service was started at the instigation of the Dominion Government, technical schools and the treatment of venereal diseases, and after we had got into these services the Dominion withdrew its support and left us to continue the services at the entire expense of the province. We doubt very much the wisdom of that sort of thing. As I said a moment ago, we are not in favour of any system of conditional subsidies, or a division of the cost such as was suggested in Manitoba, varying with the amount expended. We would prefer that any amount given to us be given unconditionally in the light of conditions prevailing in the province and the expenditure the province is making.

On page 275 there is a Table showing the conditional subsidies received from the Dominion of Canada.

MR. ST. LAURENT: In connection with the treatment of venereal diseases, it was suggested to us that we should ask what had been the effect of the discontinuance of the government grant for that service. Have you any information on that?

HON. MR. DAVIS: The service has been continued as

it was while the Dominion was making the grant, but is being continued at the expense of the province. Dr. Uhrich is right behind you and can answer that question.

MR. ST. LAURENT: Exhibit 58 shows what was spent so long as the Dominion grant was continued, but the Exhibit does not show what the expenditure has been since that time.

HON. J. M. UHRICH: (Minister of Public Health): This service was instituted in 1919-20, and the Dominion Government grant starting in 1919 was \$5,120. It continued at that rate until 1931-32, when the Dominion subsidy was \$8,372, and the province expended \$18,738, out of a total of \$27,111. From 1932 down to the present time there has been no Dominion subsidy. Last year, 1936-37, our expenditure for the fiscal year was \$22,925, which, of course, is paid out of the provincial treasury.

MR. ST. LAURENT: Is that \$22,000 approximately representative of what the expenditure has been from 1932 to 1936?

HON. MR. UHRICH: In 1932, it was \$24,000; in 1932-33, \$23,000; the same next year; \$21,000 the next year and in 1936-37, \$22,000.

MR. ST. LAURENT: Perhaps we can have complete figures included in Exhibit 58.

HON. MR. UHRICH: I will hand in a copy of the statement.

HON. MR. DAVIS: We will now continue with the brief.

I come now to the top of page 276. On the preceding page the question is discussed whether the subsidy should be conditional or unconditional. I quote from page 276:

" The question arises whether payments in the form of conditional subsidies may not constitute the proper solution of the inability of the provinces to discharge their constitutional obligations with the restricted incomes presently available. The Government of Saskatchewan is not prepared to state categorically an opinion to the effect that the conditional subsidy is unsound, but it desires to submit the following observations with reference to such payments:

(a) The offer of such grants from the Dominion Treasury may present a temptation to provincial governments which is difficult to resist. The result may be that the province will embark on the expenditure of public moneys on a programme which is quite at variance with the needs of the province and may be quite contrary to its general scheme of development."

THE CHAIRMAN: Why should that be, Mr. Davis?

Why should a province, because there is a chance of a grant from the dominion government, embark upon an expenditure that is not necessary in the interests of the people of the province?

HON. MR. DAVIS: Once again, Mr. Chairman, we are faced with the fact, which we all recognize, that when a source of revenue is made available to a province, where a grant is held out to the people, irrespective of the judgment of the legislature, as to the wisdom or

otherwise of accepting it, public opinion urges that if there is anything to be grabbed it must be grabbed. That is putting it bluntly, but that is one of the difficulties of democracy.

THE CHAIRMAN: That would rather lead to the conclusion that nothing should be held out as a temptation.

HON. MR. DAVIS: Perhaps that conclusion is justified, Mr. Chairman; nevertheless the tendency is there. Perhaps I have attached too much importance to it, but the fact is that there is always that tendency; there is always someone who is prepared to urge, when anything of the sort is held out, that it should be accepted, that the service proposed should be instituted; and perhaps public pressure becomes so great that the government is obliged to yield to it.

" (b) The conditions¹ subsidy is quite unsatisfactory in that the dominion government may decide to withdraw from the scheme altogether. In the meantime the province will have begun an expenditure which it finds it is unable to discontinue. This actually happened in the case of conditional subsidies for the construction and support of technical schools, where the grant was discontinued after expensive buildings had been constructed. The same was true in the case of grants in support of the treatment of venereal diseases, although in this case it is probable that a service was begun which every province would have been forced to undertake sooner or later."

THE CHAIRMAN: As regards venereal disease, was it not simply a matter of the dominion helping the provinces to establish a service which was necessary?

HON. MR. DAVIS: I think that is right.

" (c) The granting of conditional subsidies seems to be contrary to the notion of building up a spirit of responsibility, on the part of the provinces. It is altogether reasonable for the dominion to assume complete responsibility for given social services, and it may be predicted that this action will result from recommendations of this Commission. But in so far as a social service or any other service is recognized as a provincial responsibility it would seem that it is more advisable that the province should be responsible. It is submitted further that the unconditional subsidy to the provinces is to be preferred, especially if an element of flexibility can be introduced therein. In a subsequent part of this submission a recommendation will be made looking to the introduction of this element of flexibility into unconditional subsidy payments from the dominion treasury.

THE FUTURE OF SOCIAL SERVICES.

Attention has been drawn to the fact that with existing sources of revenue the province of Saskatchewan is unable to provide adequate services and at the same time perform the other functions of government. Every indication, moreover, points to the conclusion that the burden of maintaining social services will be greater in the future. Not only will many of the existing services be more expensive to maintain, but it is almost certain that new services will be necessary. Reference may be made to a few of the social services in terms of the future."

Next we come to old age pensions, at page 277.

I quote the first paragraph on that page:

" Old Age Pensions. The burden of the payment of old age pensions in this province will almost inevitably increase in the next few years. This conclusion is drawn from the fact that the population of the province is comparatively young and that during the next few years an increasing percentage will be above the age of seventy years. In connection with this particular service, it is submitted that pensions should be payable to those who have reached the age of sixty-five years but that such payments should be put on a contributory basis. It is proposed to recommend that the complete burden of payment of old age pensions should be assumed by the dominion government. The government of Saskatchewan strongly recommends a pension scheme to which all shall contribute during their earning years, with pensions payable to all persons above a certain age, say sixty-five years, regardless of the financial status of the recipient."

We feel that the present system should be changed to a contributory scheme such as it is proposed to put into effect in New Zealand, under which everyone, no matter who he is, is expected to make certain contributions so that he may help to create the fund from which subsequently he will draw a pension.

MR. ST. LAURENT: It is suggested that we might get some helpful information on this point from the officials of the province.

HON. MR. DAVIS: Yes; they would be able to give you information.

MR. ST. LAURENT: The contributory pension would of course have to cover all workers. When it was established

it would take in workers who were nearing the age limit as well as those just embarking on their career, when their contributions would begin. Have you given any consideration to the manner in which the lag should be taken up between the period of institution of the scheme and the time when contributors will have begun to draw their pensions?

HON. MR. DAVIS: It might be necessary to do something such as was done in the United States. There, they have what is called the Social Security Act now in operation, but no one gets anything out of the fund for a period of five years. Contributions are made for that length of time in order to build up a reserve, and the scheme begins to operate -- that is, the beneficiaries begin to draw upon the fund -- only at the end of that five-year period. That, I presume could be done here. You could not have a sound contributory scheme -- an actuarially sound old age pensions scheme -- that would begin to-morrow to be effective, so far as recipients are concerned, when the contributions were only then beginning. There would have to be an interval in between during which the fund would be built up.

MR. ST. LAURENT: The recommendation therefore would be that there should be some arbitrary period during which contributions would be made without benefits being derived from the scheme.

HON. MR. DAVIS; I do not see any other way of doing it. We have not discussed the matter as a government, but giving my own personal view, I do not see any other way of making it actuarially sound.

MR. ST. LAURENT: And the recommendation would also be that the right to the pension would obtain on the sole condition of the pensioner having attained the age limit.

HON. MR. DAVIS: Yes, irrespective of the financial condition of the beneficiaries.

MR. ST. LAURENT: Everybody would receive the pension?

HON. MR. DAVIS: Yes; everybody would contribute and everybody would draw from the fund.

THE CHAIRMAN: It is really, then, state insurance?

HON. MR. DAVIS: Yes, that is what it is.

MR. ST. LAURENT: State annuity insurance.

HON. MR. DAVIS: A compulsory annuity scheme.

THE CHAIRMAN: On a basis that would be actuarially sound.

HON. MR. DAVIS: Yes, that is right.

MR. ST. LAURENT: And that would cover, in the form of contributions, the amounts required to make the system actuarially sound.

HON. MR. DAVIS: Yes. We have not gone into the question whether the state would intervene. As far as possible the system should pay its own way. It would be more advisable to make it self-supporting.

MR. ST. LAURENT: It would be advisable to have the actual burden brought home to all the contributors to the fund.

HON. MR. DAVIS: It might be that those with greater ability to pay would pay more, whereas the receipts would be fixed.

MR. ST. LAURENT: But your suggestion is that it should be something earmarked for the purpose, a contribution to the fund, so that the actuarial basis of the fund could be supervised continually.

HON. MR. DAVIS: Yes. A contribution might be based on the earnings, so that the larger the amount the man earned, the greater his income, the greater the contribution

he would have to make; but when it came to withdrawing from the fund there would have to be a standard rate for everyone, so that the result would be that the strong would bear the weak.

MR. ST. LAURENT: Another question which I wanted to ask you rather becomes immaterial in the light of what you have said. It was suggested that if there were to be a government contribution from the general funds, we should ask you whether or not it was considered that the provincial governments should make some part of that contribution. Your idea would be that the whole of the amounts required for the fund would come out of the levy that would be earmarked for the fund.

HON. MR. DAVIS: If possible. I would not, however, tie us down to that; it might be necessary for the governments to intervene. That would be a matter to be decided pursuant to the findings of the actuaries. You do not want to put it so far ahead in the future as not to be able to get it across in the present.

MR. ST. LAURENT: Should there be a necessity for governmental contributions from the general fund, have you considered whether or not there should be any portion of the contribution from the provincial government or whether the scheme should be borne entirely and entirely financed by the central government through the raising of taxes?

HON. MR. DAVIS: At the moment we pay 25 per cent of the old age pensions and the dominion government contributes 75 per cent, and we urge that they should take over 100 per cent of it. In the next sentence we bring that out. Naturally they would be the ones to levy the full amount.

MR. ST. LAURENT: So that you would recommend, if

there had to be a contribution from the general fund, that it should come from taxes raised by the central government?

HON. MR. DAVIS: Yes; in other words, make it a national scheme.

MR. ST. LAURENT: You suggest that it should be a national scheme, uniform throughout the country?

HON. MR. DAVIS: Yes.

MR. ST. LAURENT: I was instructed to ask whether your idea was that some provincial levies should go into the fund or whether only such funds as might be provided by the central government, through taxation, should be drawn upon.

HON. MR. DAVIS: It could be better equalized by a federal levy than by intervention on the part of the provinces.

MR. ST. LAURENT: Would you mind stating, if you have considered the question, why you recommend that this should apply to all persons on the attainment of a certain age, rather than, as at the present time, under the old age pension scheme to those who are in need of the benefits to be derived from the scheme?

HON. MR. DAVIS: Because of the general principle. We have not given the matter very great consideration and I am answering your question offhand. But the general principle is that the strong should assist the weak. That should be the philosophy of life and therefore those with means would contribute more than they would receive.

MR. ST. LAURENT: But under the present old age pension scheme it is only those that need a pension that get it?

HON. MR. DAVIS: Yes.

MR. ST. LAURENT: Why do you suggest that the base

should be broadened so as to include those who might not need the benefit, on their attaining the stipulated age.

HON. MR. DAVIS: You are assuming that they might not need it.

MR. ST. LAURENT: As I understand the submission, the only requirement is to be age -- the age limit.

HON. MR. DAVIS: Yes.

MR. ST. LAURENT: Without any inquiry into the financial condition of the person who seeks the benefit?

HON. MR. DAVIS: If you are going to exact contributions on the principle that the benefits are to accrue to people who are destitute at the age of sixty-five you will not know whom to tax when they are twenty-one. Consequently you would have to tax everyone at the outset.

MR. ST. LAURENT: Your argument is that it is fair, if everyone is to be taxed, that everyone should have the same quantum of benefit, whatever the amount of contribution to the fund.

HON. MR. DAVIS: Yes. I think it is a matter well worthy of study in Canada.

MR. ST. LAURENT: Is it your idea that if the age condition were the only requirement it would remove a good many embarrassing features from administration?

HON. MR. DAVIS: Yes.

MR. ST. LAURENT: For example, with respect to the investigation into the condition of those applying for it.

HON. MR. DAVIS: Yes. I think it is better for everyone. In my opinion it is better -- apart from war pensions, which are based upon service to the country -- that anyone who receives a benefit from the scheme shall have contributed to it. It makes for better citizenship and greater responsibility so far as families are concerned.

THE CHAIRMAN: Did you say that the system was in operation in New Zealand?

HON. MR. DAVIS: I believe it is going into operation shortly in that dominion.

THE CHAIRMAN: You do not know of any country where it is actually in operation at the present moment?

HON. MR. DAVIS: No, I do not know of any, but I read in the public press last month that New Zealand was actually bringing such a scheme into operation.

THE CHAIRMAN: The principle is in operation in some of the churches in respect of the retirement of their ministers. Every clergyman must pay into the fund according to the salary he receives, and everyone upon retirement receives according to his years of service, regardless of the amount he has paid in. It was supposed to be a cooperative movement among clergymen, where the strong would bear the burdens of the weak. Whether, however, the same spirit would manifest itself in relation to a national scheme of insurance might be questionable.

HON. MR. DAVIS: Of course, in the case of clergymen they did it voluntarily because they considered it the part of wisdom.

THE CHAIRMAN: Originally it was voluntary but later became compulsory.

HON. MR. DAVIS: As regards the question of making it generally applicable, that of course would have to be done by legislation, because I presume that a good sized class in the community might object to it.

THE CHAIRMAN: Of course, at the present time, under the existing financial condition of all governmental bodies in Canada, one would think that there would be some hesitancy in embarking upon new schemes of social service that must involve contributions from governmental sources.

HON. MR. DAVIS: I quite appreciate that, Mr. Chairman; but this is something that we should aim at. These things cannot be expected to materialize over-night; they are nevertheless objectives towards which the Canadian people should set themselves.

The next paragraph on page 277 discusses the question of unemployment insurance. Since this particular section was prepared, the proposal has come somewhat nearer to actuality, in that Mr. Mackenzie King has now requested the provinces to indicate whether or not they would be prepared to agree to a scheme of national unemployment insurance. Saskatchewan has acquiesced.

THE CHAIRMAN: And you are prepared to see jurisdiction transferred to the dominion?

HON. MR. DAVIS: Yes. But we point out here that in so far as unemployment insurance is concerned, it naturally affects those engaged in industry, chiefly on a fixed payroll. It would have little effect in Saskatchewan because there are few people engaged in industry in this province. The only comparable scheme that would help to ease the burden in the province of Saskatchewan would be crop insurance, and in that connection I will file a reference prepared by Mr. W. J. Hansen, to whom I referred the other day. Mr. Hansen is a member of our service. He was a member of the staff of the Department of Agriculture at Ottawa and was loaned to the province to make a study of crop insurance in the province of Saskatchewan. He spent considerable time here, devoting his efforts to this work and, as I say, he is now a member of our staff.

Mr. Hansen has evolved a scheme -- a proposed scheme of crop insurance which is contained in this booklet I am going to file.

MR. ST. LAURENT: May I interrupt Mr. Davis to say that the statement of figures with respect to expenditures on venereal disease will be exhibit No.59.

EXHIBIT NO.59: Table of figures re expenditures on venereal disease.

THE CHAIRMAN: We should like to consider the proposal which Mr. Hansen has submitted. It is important from the standpoint of Saskatchewan, and I think you should develop it Mr. Davis, so that we may be able to ask questions and get your point of view.

HON. MR. DAVIS: Do you mean the actual scheme proposed, or just the broad principles?

THE CHAIRMAN: The broad principles.

HON. MR. DAVIS: What I had in mind, Mr. Chairman, was this. The dominion and the province in the last six or seven years have spent \$110,000,000 in maintaining the people of Saskatchewan, largely because of the consequences flowing from the loss of crop. Ultimately we shall get away from this condition; but from the evidence given yesterday by Professor Mitchell, the time will come when we shall again find ourselves in similar circumstances. Would it not be better for us to start now and make preparations against that time by a system of crop insurance, whereby the individual would contribute to a fund that would enable him to take care of himself in the difficult days that may lie ahead? It would be in the interests of Canada as a whole, instead of having, in four or five years, to finance a situation calling for the expenditure of \$110,000,000, to assist at once in the building up of a fund of the kind proposed.

As in the case of contributory old age pensions, a scheme might be put into operation, and perhaps we should not make it operative, from the standpoint of recipients, for a period of say five years, so that in

the meantime adequate reserves might be built up. It might be to the advantage of the Dominion as a whole to assist by means of contributions towards the fund for a period of five years so that when the next difficult period comes we shall be prepared to meet it, instead of having the entire burden fall suddenly upon the treasury.

THE CHAIRMAN: Is it your idea that you scheme should cover only the province of Saskatchewan?

HON. MR. DAVIS: Our scheme proposes the coverage of wheat only at the beginning; I do not know whether it applies to coarse grains.

THE CHAIRMAN: Is it limited to this one province?

HON. MR. DAVIS: Possibly it could be made to apply to the three provinces, but as worked out it takes in only this province.

THE CHAIRMAN: Has it been worked out on the basis of self support, or is it based on contributions from the Dominion?

PROFESSOR CRONKITE: The scheme outlined would be actuarially sound, but the question of administration has to be taken into consideration. I believe it calls for about half a million a year to support administration and the necessary research for a period of ten years. There would have to be a great deal of accompanying research to get the scheme definitely established. The scheme outlines the rates of insurance for all the municipalities of the province.

THE CHAIRMAN: Does it vary in amount like hail insurance?

PROFESSOR CRONKITE: According to yield.

HON. MR. DAVIS: It is based on yield.

PROFESSOR CRONKITE: Insurance will be given in terms

of bushels rather than in terms of dollars.

THE CHAIRMAN: How does it vary from municipality to municipality?

HON. MR. DAVIS: There are three rates. There would be a variation of rate as between municipalities. This, I understand, is based upon twelve years of crop records, sometimes more than that. I could have Mr. Hansen who prepared this booklet explain it to the Commission.

THE CHAIRMAN: If you consider it of real importance, I think we should like to get some further information about it.

HON. MR. DAVIS: I will ask Mr. Hansen to come. This is a matter of real importance and will be of considerable interest to this western country.

COMMISSIONER MacKAY: Before we go on, Mr. Davis, it seems to me a very important question why you should single out a particular industry like wheat -- and undoubtedly it is an industry that is of importance to the Dominion of Canada at large -- for insurance such as you propose, under a scheme to be supported by federal funds. That is an important question. Logically, other industries might be included, I do not say under the same insurance scheme, but under a scheme of some sort. There might be other industries in which people are not employed for a wage but work for a living -- fishing, for instance. Why should you not insure fishing as well as wheat ?

HON. MR. DAVIS: It is more difficult to insure fish.

COMMISSIONER MacKAY: On what ground are you putting it? Are you putting it on the ground of national importance to the economy of Canada?

HON. MR. DAVIS: It is a national hazard. When we

lose a crop it affects all Canada, and we are not suggesting that Canada as a whole for all time should contribute. If it were a provincial scheme we should have to carry it by ourselves, but it would be in the interests of Canada to make a contribution to it for a few years more or less as an insurance against a recurrence of the condition that we have experienced in the last few years. We are simply seeking to insure ourselves against the eventualities of the future. That is the main idea we have in mind.

THE CHAIRMAN: We should like to hear what Mr. Hansen has to say.

MR. W.J.HANSEN (Department of Agriculture, Saskatchewan): Mr. Chairman, I understand that you would like to have an outline of the scheme that has been proposed.

THE CHAIRMAN: Would you, in the broadest outline, tell us the plan that you have worked out for crop insurance, including rates and the scale of variation in rates payable by the farmer, contributions by the federal government, the period of contributions and other matters that would give one a general picture -- not details, but the broad outlines of the picture -- as you have worked it out?

MR. HANSEN: In making this study of crop insurance, the objectives that we had in mind, or rather the terms of reference were not very clearly defined, so that part of the questions which you have directed to me cannot be answered at this moment. That is to say, the cost to the federal government or to the provincial government or to the farmer is a matter that would call for study.

As to the cost of operation of a crop insurance

scheme, that question has not been gone into at all, so far as this study has been concerned. From the point of view of the farmer and the protection which he might secure from crop insurance, in relation to his production, the study has been confined entirely to wheat.

In making the study the available statistics with regard to wheat production in the province, from the period of 1918 to 1936 inclusive, have been used as a basis upon which to compute tentative levels of coverage and tentative premium rates of contribution.

The statistics of production that are available relate to municipalities. They are made up of reports from crop reporters, bank managers and elevator men. After due weighting averages have been secured which are taken to be representative of the general average yield in the municipality in a year. Naturally, in connection with any such average, there will be a certain amount of deviation from it so far as individual farms are concerned.

There is only a limited amount of data available by which to measure the extent of individual deviations from the averages, say, of municipal units. That is one of the aspects in connection with any projected scheme of crop insurance which will require further survey and study as well as analysis.

On the basis, however, of those estimated average yields of municipalities, certain levels of coverage have been arrived at by taking 40, 50, 60 or 70 per cent of these average yields as being possibly suitable levels of coverage. The average yield of the municipality has not been taken as the appropriate level of coverage inasmuch as it would probably involve a very

high moral hazard in connection with any such high level of coverage.

There are approximately 300 municipalities in the province and for each of these tentative rates have been calculated with regard to levels of coverage; so that with respect to municipality number one, having a long term average yield of ten bushels to the acre, the level of coverage which the farmers might secure in that municipality would be quite different to the level of coverage in municipality No.200, say, or 500, because with each municipality there is a slight variation in the long term average yield; and in the tentative calculations that have been made the object has been to relate levels of coverage as closely as possible to the levels of coverage in that municipality, recognizing of course that the average levels of yield in individual farms in that municipality might vary considerably.

THE CHAIRMAN: Will you give us a concrete illustration. Take municipality number one, say, where the average yield is ten bushels per acre for an 18 or 19 year period -- is that it?

MR. HANSEN: Yes.

THE CHAIRMAN: You have worked out the figures on the basis of 40, 50 and 60 per cent?

MR. HANSEN: Yes.

THE CHAIRMAN: What would the annual contribution be in such a case?

MR. HANSEN: That would have to be worked out taking into consideration the average yields in each year and the deviation from level of coverage, which yields in each year were from that level of coverage, -- taking that total and dividing by the total number of years, which would give the average per annum; and then the

average costs, which have been calculated, are appended.

HON. MR. DAVIS: Take one by way of illustration.

THE CHAIRMAN: Give us an illustration, and give us another municipality where they had an average yield of 20 bushels. Illustrate that and we shall see the range.

MR. HANSEN: Take rural municipality No. 128.

A 40 per cent coverage for that municipality would amount to 5.7 bushels per acre and the cost would amount to .3 bushels per acre. If that cost in bushels per acre is translated into percentage of the marketable surplus of wheat from, say, that area, the rate will be 5.9 per cent.

THE CHAIRMAN: Then what is the average production in that particular municipality upon which those rates are based?

MR. HANSEN: I have not the average yield for the municipality, but 5.7 is --

THE CHAIRMAN: Forty per cent?

MR. HANSEN: Yes, forty per cent.

HON. MR. DAVIS: That is to say, if the farmer was covered 40 per cent and lost his crop he would receive the equivalent of the value of 5 point something?

MR. HANSEN: It would be between 12 and 13 bushels.

THE CHAIRMAN: Of course, it must be on a basis that would be self sustaining, but that makes the premium very high, does it not?

MR. HANSEN: The premium in some cases is extremely high, and of course it varies with the variability of yields. You might have an area in which the long term average yield is 15 bushels an acre and the variability practically nil; in other words the yields might fluctuate a little. On the other hand, you might have a

municipality with a long term average yield of 15 bushels and a high variability, and in that case there would be a much higher rate of premium to be paid.

THE CHAIRMAN: Where you have substantial variations within a municipality, the farmers might be unwilling to make the contribution which would be required in order to carry the risk.

MR. HANSEN: Of course, sir, I am not able to say what they are willing or not willing to do. We might say that if the service which crop insurance might perform was economical, that is to say, if it accomplished what it set out to do, then it might be sold to the farmers. Naturally, however, if the cost is too high the farmer would probably prefer to spend the premium on immediate goods and services rather than put it aside as provision against some future eventuality such as a crop failure. He would have to decide for himself which of his needs was greatest.

COMMISSIONER ANGUS: Would it be optional with each farmer whether he came under the scheme or not?

MR. HANSEN: That is a matter of policy.

HON. MR. DAVIS: Your proposal is that the municipality should have the right to come in or withdraw on the basis of a majority vote within the municipality itself?

MR. HANSEN: Yes.

HON. MR. PATTERSON: And once a municipality is in every farmer will be in.

COMMISSIONER DAFOE: Does the plan provide that the farmers should insure themselves?

HON. MR. DAVIS: Yes; but they would need assistance for some years.

THE CHAIRMAN: One can see the great advantage there

might be in securing a larger measure of stability in rural economy if you had such a scheme, but one thing occurs to me. The good farmer becomes a contributor to insure the poor farmer, does he not? Under the scheme would not that be the result, in effect?

MR. HANSEN: In this submission it is pointed out that in order to be entirely equitable the levels of coverage would have to be related to individual farmers, so that if you had two adjacent farms, one with good soil and a good farmer, and another with poor soil and a poor farmer, if the levels of coverage were related to their actual average long term yields, it would be equitable. But where we have no such data available there must be some provisional basis upon which to operate; and in the first few years of operation there might be some inequity in the functioning of the scheme as between two farms even in the same region.

However, as regards farms in different parts of the province, there would be less disparity, or less inequitable treatment.

COMMISSIONER ANGUS: Can you give me an idea of what the highest premium would be?

MR. HANSEN: In the map that is here some of the rates have been smoothed out for certain areas. But when you consider the premium contributions on the basis of individual municipalities, there are some municipalities, on the basis of existing data, where the cost would be perhaps exorbitant, and they would naturally rule themselves out.

COMMISSIONER ANGUS: Can you give an example of exorbitant cost?

MR. HANSEN: Well, what might be exorbitant to me might not be exorbitant to the farmer, so what ever

statement I make in that regard will have to be qualified to that extent. A cost ranging around 25 or 30 per cent would be rather exorbitant.

HON. MR. DAVIS: In the case of municipal hail insurance, a good many municipalities -- 150 or 170, I forget the number -- join together and contribute. Is there any central fund in the organization that smooths out the basis as between municipalities? Do all the people in the scheme contribute to losses incurred in individual sections?

MR. HANSEN: In any scheme where hail or any type of insurance operates, premiums have to be related to the actual risks; and if a person were to pay a higher premium than the actual risk involved would require of him, then over a long period of years the system would tend to destroy itself and people would withdraw from it. So that in devising a rate structure we have to see that it is equitable as far as possible for different parts of the province; and getting down to the smaller regions, it would have to be equitable as between different farms.

COMMISSIONER ANGUS: Is the premium based on the price of wheat for the previous year?

MR. HANSEN: In making this study we were rather at a disadvantage in that certain matters of policy with regard to the marketing of grain have not yet been clearly defined, and so the price aspect has not been brought into this study. The study, however, advances the idea that the premium contributions from municipalities could be averaged so as to secure an average price, say, in relation to a bushel of wheat; and in the event of indemnity payments being made, then the maximum value that could be attached to a bushel of wheat would be the

average rate of the contributions.

COMMISSIONER ANGUS: I am quite ignorant about this, and I should like to get some information. Would the premium be paid in advance at the beginning of the year, or when?

MR. HANSEN: I have not attempted to lay down hard and fast rules as to what should or should not be done. The time at which the premium would be paid would depend on a number of factors. For instance, if there is an insurance fund available from which to operate, then of course the question as to when the premium is paid is not so important. But if there were no fund available, then of course it would mean that funds would have to be accumulated, and then the best time to accumulate them might be a very pertinent question. It has been thought that if there were no funds available at the beginning of any scheme, the logical time to begin collecting such funds would be in connection with the marketing of grain; in other words, as the grain moved to the market from the present elevator system, there might be a deduction made that would accumulate reserves in the form of premiums.

HON. MR. DAVIS: And that amounts more or less to a production tax -- well, it would not be exactly that; it would depend upon production, whereas this would be a fixed amount to be taken out.

MR. HANSEN: As far as a tax is concerned, the person who pays it loses sight of it. In this connection, however, when the farmer made the contribution, that contribution would not be lost sight of, but would be available for the specific purpose of indemnifying him.

THE CHAIRMAN: Does he make his contribution in kind or in money?

MR. HANSEN: The basic principle upon which any scheme of crop insurance can be operated must be related to yields of wheat; and once having established that principle then a number of methods may be introduced. The basic principle upon which any scheme of this kind must function, in my opinion, must be the actual physical production of wheat, so that the yield of wheat becomes the essential principle upon which further modifications can be introduced.

THE CHAIRMAN: When the farmer comes to pay his premium at the end of the year, does he turn over so many bushels of wheat or so many dollars?

MR. HANSEN: That of course is a matter of detail that can be very easily arranged. It is a matter that would have to be determined, perhaps, between those concerned. I have not concerned myself so much with that detail because, to my mind, the essential thing is the principle involved, namely, the guarantee of physical yield; and having determined, then, the level of coverage in physical bushels which the farmer is entitled to, and having determined the cost in physical bushels which he would have to pay, then the question whether he would pay in physical bushels or in fixed money value would be a matter for arrangement.

And it is quite within the realms of possibility to assign to certain physical bushels a certain monetary value so that he can pay in dollars and cents if it was desirable.

THE CHAIRMAN: What is running in my mind is this. Assume your basis of payment is in bushels, and a man pays in bushels at a time when bushels are worth 77 cents and a crop failure comes at a time when bushels are worth a dollar, how is he to be paid. Is he to be paid the number of bushels which his premium would earn, or is he to be paid the amount in value which the premium paid would have earned?

MR. HANSEN: Taking your illustration, if a man contributed say, one bushel per annum for five years on a declining price, \$1.00, 75 cents, 50 cents and down, he has contributed to the scheme say, \$10.00 in the way of premiums. That is, the actual monetary value of the bushels of wheat that he has contributed may be worth \$10.00. Naturally, there is then in the fund to be paid to him \$10.00; but if he had a complete failure -- it may happen that he would have a failure that would entitle him to draw 50 per cent of the \$10.00 or 75 per cent of the \$10.00, or he could draw the whole of it in a strict sense. Of course it might be possible that some few farmers would even draw out more than they put in. But, taking the scheme as a whole the money that had been contributed would be averaged and would be distributed, you might say, in the terms of the average value of their contributions.

THE CHAIRMAN: Let us follow that illustration, Mr. Hansen. He puts in on a declining market and has paid in altogether \$10.00. on this wheat which in the aggregate has a value of \$10.00. But in the year when his crop fails wheat is worth 50 cents a bushel. He would be entitled to

more bushels, if he wanted it in wheat, or if he took the value in money he would be able to purchase more bushels than he had in fact paid in over the period.

MR. HANSEN: Yes.

THE CHAIRMAN: Whereas if the market was an ascending market the reverse would be the case. He would draw out fewer bushels, or the value of fewer bushels than he had actually contributed.

MR. HANSEN: Yes.

THE CHAIRMAN: I suppose that is inevitable.

MR. HANSEN: Yes. There are a number of matters of that type that, you might say, can only be solved as part and parcel of policy. It is difficult to calculate from any mathematical point of view just what should be done. Quite a number of these types of questions are questions that will naturally be tied up with policy. I might say in connection with the operation of municipal hail insurance that in the early years of operation tenants of farms were able to secure indemnities for hail losses on their crops without being required to make any contribution in the way of premiums at all. That is just an indication of how things have operated for five years. There may be some inequalities existing that would take time to correct. Referring also to the operation of municipal hail insurance I might say that for a number of years the indemnity per acre which the farmer secured was considerably below the value per acre of the crop produced; but in more recent years the value of the indemnity per acre greatly exceeded the value of the crop produced even where it was not destroyed by hail.

THE CHAIRMAN:.. In that case it was a good thing for him that his crop was wiped out because he got more for it than he would have got if it had matured.

MR. HANSEN: Yes, but there is a certain amount of elasticity that must be introduced into a system in order to make it work.

THE CHAIRMAN: Is such a system as this in operation anywhere now?

MR. HANSEN: Not to my knowledge. There are a number of countries where the basis has been laid, probably in regard to hail insurance for extending the coverage to other hazards than hail. Actually, there is a scheme in Russia, but I am not prepared offhand to give details of it. There are other crop insurance schemes, but not related to wheat production. For instance, there is crop insurance with regard to certain citrous crops, potatoes, tobacco --

THE CHAIRMAN: In the south?

MR. HANSEN: In the south.

THE CHAIRMAN: Are these cooperative or state companies?

MR. HANSEN: These are operated by insurance companies.

COMMISSIONER ANGUS: Will the plan require any elaborate inspection of the farmers operations.

MR. HANSEN: In the case of a man making a claim for indemnity payment there would naturally be a certain amount of inspection, and a certain amount of routine to be gone through. Similarly as in any type of insurance where claims are made and adjustments have to be followed through.

COMMISSIONER ANGUS: What I means is this; would you have to inspect his farm to see that the land was being well cultivated?

MR. HANSEN: In the suggested set-up here there would be a certain amount of local control that it would be

desirable to exercise continually. Such local control, of course, would have to be determined from time to time and probably vary from one region to another.

COMMISSIONER MacKAY: I gather that you work this out for wheat alone.

MR. HANSEN: For wheat alone, the reason being that the statistics available with regard to crop production are more reliable for wheat production than any other crop. The first reason is that wheat, of course, is the most important crop produced in the province and affects the larger area of the province.

COMMISSIONER MacKAY: Suppose your scheme were applied to wheat alone, would it tend to affect the distribution of crops; would it tend to affect the production of other crops. For example, suppose a man was sure of some return from his wheat crop and no return for barley, oats or any other crop, would not that tend seriously to affect the whole production of crops in the province? I do not know, I am just asking the question.

MR. HANSEN: If the level of coverage was too high then it would have the effect you say. In other words, if a man was able to secure a level of coverage on his farm that would enable him to pay his costs of operation, to pay his taxes, to pay his help and to pay his cash living and farm expenses and have a little bit left over, naturally he would be expanding his wheat production to the greatest possible extent. The level of coverage contemplated, however, is not sufficient, even under the most favourable conditions, to meet these requirements. Even with an average yield the man on the farm will have serious difficulty in meeting these cash, farm, and living expenses, payments for taxes and things like that.

In crop insurance it is contemplated that the coverage shall be limited to 40 per cent of the average, or 50 per cent, 60 per cent or 70 per cent. The level of coverage would be sufficient to enable him to continue operations, to provide feed and seed and to pay a considerable portion of his necessary cash living and farm expenses and to enable him to pay his taxes, perhaps; in other words to carry on without undue embarrassment, ^{not} but/to enable him to get a profit or to depend entirely on the crop insurance indemnity payments for the extension and payments of debts and so on.

COMMISSIONER ANGUS: When you mentioned the premiums did you mean percentage of the average yield or percentage of the coverage?

MR. HANSEN: The premium has been calculated in bushels per acre, and supplementary calculations have been made by which the premium is also expressed as a percentage of the coverage. In addition, the coverage has been expressed as a percentage of the marketable surplus. In other words, over a period of 10 years the total aggregate yield, less the feed and small losses that accrue, less the seed and small losses, would give the marketable surplus per acre, and dividing the total aggregate number of bushels of indemnity into that we would get then the premium as a percentage of the marketable surplus.

BY MR. ST. LAURENT: Q. Will you let me see if I understand this? You gave us an example of 40 per cent coverage in R.M. No. 128 with an average yield of 5.7 bushels per acre.
A. Yes.

Q. You told us, I think, that the premium would be three tenths of a bushel per acre and that it would be equal to 5.9 per cent of the coverage. A. Yes.

Q. Assume that we apply this to a quarter section, 160 acres. The coverage would amount to 512 bushels, 160 times 5.7. A. Yes, I follow you.

Q. With dollar wheat that would be a coverage equal to \$912.00 if the crop were destroyed or if it fell below 5.7 bushels per acre. Is that the way it would work out? A. What was the R.M. No.?

Q. 128. A. The coverage amounts to 517 bushels to the acre. That is what he would get in the event of a total crop failure.

Q. On a quarter section that would be 912 bushels. A. 912 bushels.

Q. And if wheat were quoted at dollar a bushel it would be \$912.00. A. Yes.

Q. And his premium would be what. A. .3 bushels per acre.

Q. Or 5.9 per cent of his coverage. A. No, 5.9 per cent of the marketable surplus of his wheat.

Q. If it were 3/10 of a bushel per acre. A. 160 acres.

Q. That would be 48 bushels.

HON. MR. PATTERSON: The average yield in that municipality is 13 bushels per acre.

MR. ST. LAURENT: I am just trying to get a comparable figure so as to have an idea of what the farmer would pay for coverage of \$912.00.

MR. HANSEN: Well, just follow that through. His premium is .3 bushels per acre. He has 160 acres, and .3 times 160 is 48 bushels, so he would pay 48 bushels. At one dollar a bushel that is \$48.00.

BY MR. ST. LAURENT:

Q. He would pay in that year \$48.00 and he would have insurance of \$912.00 on his quarter section? A. That is right.

THE CHAIRMAN: In the case of a total crop failure.

BY MR. ST. LAURENT:

Q. In the case of a total crop failure? A. Yes.

Q. And if he got something that was worth \$500 his indemnity would be the difference between \$500 and \$912.

A. Yes.

THE CHAIRMAN: Thank you, Mr. Hanson.

MR. ST. LAURENT: I shall file this special reference as an Exhibit.

EXHIBIT NO. 60; Special reference
prepared by Mr.
Hanson.

HON. MR. DAVIS: Mr. Chairman, we have come to the educational section and social services. The school trustees wish to make a few remarks in that regard. A representative of the school teachers' federation from one of the municipal organizations is here and we may ask them to come here and say a few words, if you can spare the time. I think they should proceed at once, rather than have me go through this section. I shall make a few comments as we go through it.

THE CHAIRMAN: Just as you prefer.

HON. MR. DAVIS: The trustees can do it much better than I can. Mr. Chairman, I have a telegram here which I would like to read. Apparently I did a very grave injustice to a very important section of Canada in some remarks that I made in the brief. I have a telegram here from St. John, N.B., signed by Mr. F. MacLure Sclanders. He says:

"Attorney-General, Parliaments Bldgs., Regina, Sask.

According to press reports your brief characterizes the 20 per cent maritime freight rate reduction as a subsidy Stop I know that you will not mind my very genial exception to such a term Stop The reduction was

absolutely not a subsidy but merely ended a freight rate overcharge which had gone on for years and had all but destroyed the industrial and economic life of the maritimes Stop In this connection might I refer you to the Duncan Report pages twenty one and twenty two Also the preamble of the original maritime freight rates act which the revised statutes omitted.

Stop I would be most grateful if you will kindly look into this as we would profoundly regret any misunderstanding on such a matter on the part of our Saskatchewan friends

F. MacLure Sclanders

Hon. Secy. Maritime Board of Trade. "

I desire to rectify any error that I made. I did not mean to suggest nor did the brief that this was a subsidy. I think we agree with our Maritime friends that this was something to which they were entitled as a right in the light of the conditions under which they came into Confederation. I hope they will feel that I have rectified any misunderstanding that arose.

THE CHAIRMAN: You certainly have remedied any injustice that might have been done.

MR. C.E. LITTLE; Secretary Treasurer, Saskatchewan School Trustees' Association was called and examined.

MR. LITTLE: Mr. Chairman and members of the Commission: This brief is presented on behalf of the Saskatchewan School Trustees' Association. A voluntary Association of school trustees in this province representing about three thousand of the more than fifteen thousand school trustees managing our 51,000 public schools. Although our association represents only a minority of the trustees, yet as our members are in

charge of schools in all parts of the province, and as for the most part every school board is confronted with similar problems and tends to agree on similar solutions for those problems, we feel that we represent the view point of the great majority of the school trustees of Saskatchewan.

Our purpose in presenting this brief is not to add to the list of demands for Federal support that have already been made. The Provincial Government has already presented the case for our province very ably, in the submission of Hon. T.C. Davis, the Attorney-General.

The impoverished conditions of our schools, the lack of school equipment and school libraries, and the ridiculously low salaries paid to many of our teachers has already been placed before you clearly and fully. We desire, however, to place before this commission certain phases of our Educational problem which in our opinion, have been overlooked or insufficiently stressed.

Whether the commission decides to recommend that the Dominion Parliament should accept a substantial share of financial responsibility for education directly, as is done in Great Britain and all the other self-governing Dominions, or decides that the Dominion should assist education indirectly by relieving the provinces of some of the other burdens that press so heavily upon them, we are anxious that you should be seized of the importances of education in the social and economic life of our nation. We trust further that you will be concerned not only with the question as to whether a reasonable standard of education is maintained throughout the Dominion on an efficient basis of operation, but also that the cost amongst all citizens is equitably distributed in relation to ability to pay. We hope that this commission will agree that it is essential to the preservation of our democracy and

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for the future progress and development of Canada that a reasonable measure of equal educational opportunity shall be made available to all Canadian youth, irrespective of their place of residence or the financial position of their parents.

We recognize that under the B.N.A. Act responsibility for education rests with the Provinces. It must be remembered however, that at the time of Confederation the popular conception of the purpose of Education was only to equip the citizens with a knowledge of the three "R's".

THE CHAIRMAN: I wonder if that is entirely correct?

MR. LITTLE: You will note Mr. Chairman, that I said "the popular conception of education". The brief continues:

"The present concept of public education is vastly different and more important. Schools are now expected to assume many of the duties and responsibilities that formerly devolved upon the Home, the Church and industry, as well as to prepare our youth to take over their share of responsibility as citizens in a modern democratic state. This trend is evidently going to continue and the task becomes ever more difficult. Upon our success in accomplishing the task depends the future of Canada. Upon the result of our efforts depends, our success or failure to solve the problems of relief and unemployment, the continuance of a democratic form of government in Canada, and the health and happiness of our people. There is no doubt that if the present concept of education had prevailed in 1867 the Fathers of Confederation would have given the Dominion Government exclusive jurisdiction over education and would not have transferred it to the provinces."

THE CHAIRMAN: I am afraid the history of confederation will not support that proposition.

MR. LITTLE: Your Commission, Mr. Chairman, is planning for the future as well as for the present.

THE CHAIRMAN: That is all right. You might make a suggestion for the future, but I am afraid if you are making a statement as to the past we cannot entertain it.

MR. LITTLE: The brief continues:

"Your Commission is planning for the future as well as for the present and therefore those changes and shifts of responsibility dare not be ignored when deciding future Dominion and Provincial obligations.

It is clearly evident that the financial resources of the provinces are so unequal that it is impossible for them to provide that measure of equal educational opportunity throughout Canada for the youth within their borders, that is essential to national well being.

The Government of Saskatchewan has already admitted in their submission to you that the support provided by them is quite inadequate to maintain satisfactory educational services in thousands of our rural schools. The source of 85 per cent of the normal revenues of these schools has dried up. The other 15% is the government grant which, so far has amounted to only \$1.00 for each day the school is open up to a maximum of 200 days. True, the grant has now been increased by 50 cents a day but this increase will not be paid until sometime next year. It is only now that the grants earned in the spring term of 1937 are being paid. When no funds are received from local taxes over a period of years, it is extremely difficult for the school board to maintain the school, make repairs, and provide

fuel and equipment without using some part of the government grant. This, of course, leaves a pitifully small sum for the salary of the teacher.

To illustrate the necessity of emphasizing the importance of education, let me state that although education is a provincial responsibility and the teacher is recognized as an essential medium in imparting education yet, while many teachers are receiving only \$300.00 or less as a yearly salary, employees in a less important provincial government service, namely -- liquor store vendors -- are said to receive four times that amount. Surely this discrepancy is a reflection upon the people of this province.

The Provincial Government has stated its desire to increase its support for schools but very substantial increases are necessary to meet the situation. Until this year, grants for schools were paid out of the Consolidated Revenue Fund of the Province. This has meant that often grants are not paid for many months after they are due to the great inconvenience of School boards and teachers.

The provincial government has now agreed to set up an educational fund for education, into which will be paid the proceeds of the education tax, the interest on the school lands trust fund, and the income derived from the administration of school lands in the province. These funds are to be used for "educational purposes". This is a very wide term which makes it difficult to control the use of these funds. We submit that the moneys in this educational fund should be used exclusively to pay grants to our primary and secondary schools. This change would mean that the cost of maintaining the Department of Education, the Normal schools and the Univ.

ersity would have to be met from other sources of revenue. This change would permit of an additional 50 cents a day being paid to our schools.

We have noted the suggestion of the Attorney-General that the Provincial Government have under consideration the use of the proceeds of the public revenue tax to increase provincial support for the weaker schools. We believe the trustees as a whole would approve of that proposal.

These additional funds would be sufficient with any substantial return to normal conditions, to enable the provincial government to assure a minimum income of approximately \$600.00 to every school.

The change would assist the municipalities indirectly because it would lighten the load for the taxpayers in the lower assessed school districts, and yet give them a larger school revenue. At present, owing to the great differences in the assessed value of land in different school districts, the tax rate varies from 2 to 20 mills. The public revenue tax on the other hand, is a uniform tax of 2 mills on all assessable land in the province, both rural and urban and whether within or without an organized school district. It would be a great step towards greater equalization of the school tax load.

We realize, however, that if the provincial government gives up this source of revenue it will be imperative that it receive additional support from the Dominion government to maintain other necessary social services.

We would fully support the recommendations that have been made for assistance in maintaining health services amongst our citizens. Every survey of health conditions amongst our boys and girls reveals that over

50 per cent of them are suffering from physical defects of various kinds that are remediable, but yet corrective measures are not being taken by the parents through lack of funds. These children will grow up handicapped to the extent of these defects, and the fiscal result will be, increased expenditures of public funds for medical services and hospitalization and an increased number of unemployables. Great Britain has recognized that the health of their youth is of national importance and since 1918 has provided for medical examination of all school children and for treatment where parents are unable to provide it. We believe the Dominion Government would find it wise economy to take similar measures in Canada.

There is one branch of education which, more than any other appears to us to have a claim for dominion government support. We refer to vocation education. The old apprenticeship system has practically disappeared. Yet the processes of industry are more complex, and changes in methods take place more frequently than ever before. It is surely evident, that in the interests of industry itself, some measures must be taken to train our youth to be experienced operators of the machines of industry.

Industry itself should contribute to the cost of this training, as it will benefit so greatly from it. Graduate students move freely from one province to another in search of the type of employment for which they have received training. At present, each province carries on vocational training, without regard to its own needs or the needs of other provinces. In Saskatchewan, we have few industries so we train a large number of students for work in other provinces, there being no opportunity here for the type of employment sought.

Much of the benefit of the training is thus lost to this province. We find ourselves conducting training schools for other provinces and are losing many of our brightest citizens.

Again, although Saskatchewan is an agricultural province more than any other in Canada, very little instruction is being given in Agriculture. According to the Dominion Bureau of Statistics for 1934 - out of 1440 full time students at our University, only 57 were studying agriculture. Practical Courses in Agriculture are offered in our three vocational schools but there are practically no students in attendance not from lack of desire or interest on the part of the rural boys, but from lack of funds. We urge that because of the adverse crop conditions prevailing in Saskatchewan, the greater need of expert knowledge to solve our farm problems and the importance of agriculture in the national economy this lack of agricultural training should be remedied immediately. The chief need is a subsistence allowance to enable rural students to live while attending the University or Technical schools.

In our opinion there is a direct relation between the lack of adequate and efficient vocational training and the problem of unemployment. If therefore, unemployment is to be recognized as a national problem, then vocational education must also receive attention from the Dominion Government.

We would recommend that the vocational grants formerly paid by the dominion be resumed with such changes as may be necessary to make vocational education available to our rural boys and girls, and with particular attention to the needs of agriculture. It seems imperative if vocational education is to be effective that an official

be appointed by the dominion government, whose duty shall be to relate the work of the schools to the needs of industry and bring about the closest possible cooperation between them. It should also be clear that any contribution by industry towards meeting the cost of vocation education can only be made fairly, through the medium of the Dominion Government.

The foregoing is respectfully submitted for your earnest consideration.

THE CHAIRMAN: Mr. Little, you have prepared this brief, apparently, having in view only the present depressed financial condition of this province. If you were to return to normal conditions you would not find the carrying on of the school system nearly so difficult.

MR. LITTLE: It is quite true, Mr. Chairman, that the situation has been accentuated or aggravated by the present condition, but the conditions pointed out here in regard to shall we say, the school tax land have pressed upon our citizens prior to the period of depression.

THE CHAIRMAN: That is a matter that you will have to take up with the provincial government. This commission has nothing to do with the relations of the school boards and the municipalities or the school boards and the province except as part of the general provincial picture.

MR. LITTLE: Except, Mr. Chairman, as I endeavoured to point out, if you have in mind that education is a matter of national concern; whether you help education directly or indirectly is another matter, but the difficult burden is inequitably distributed, and different standards are achieved in each province.

THE CHAIRMAN: Education is undoubtedly a national concern, but it has been assigned to the province for reasons which

to students of our history and constitution and of the religious and racial conditions in Canada must be obvious; and I am afraid it must remain there. I think there would be the strongest objection on the part of the provinces to the dominion attempting to interfere in any way in matters of education or the making of educational grants, save on the one question of technical education. That has been done but even grants for technical education were objected to in the House of Commons by some prominent members of the House. It was thought that the grant was the thin edge of the wedge of the dominion entering into the field of education. I believe we have to deal with realities here, and we must recognize that for better or for worse in this dominion education is one of the fields in which the provinces have control, and which I believe they would insist upon maintaining.

MR. LITTLE: You realize, of course, that so far as technical education is concerned there are not the difficulties mentioned by you pertaining to that.

THE CHAIRMAN: No. As I say, in that one respect the dominion has already taken action, and there is a precedent for that; although there was objection taken in the House. We thank you for the representation. It will receive very careful consideration, as will all representations. But in view of the stress placed upon the dominion aspects of it, I should point out as I have done elsewhere, that education is the function of the province.

MR. LITTLE: Thank you.

HON. MR. DAVIS: May I, more for Mr. Little's benefit than my own, make a few comments on this brief, which is filed as an exhibit. In the middle of paragraph 3 there is a statement which stresses the inadequate salaries being paid teachers. We are fully cognizant of that, and are in

and are in full sympathy with them. They have done a marvellous service, carrying on education in this province, practically for nothing. The wages paid in these districts are scandalous. But we cannot see that it will help solving a problem of that kind by comparing teachers' salaries with the salaries of the liquor store vendors. It is rather an unfair comparison. The liquor store vendor is paid what we think he should get, whereas the other persons are paid less than they are entitled to. Nothing much is to be gained by comparing the one with the other. You might reduce the liquor store vendors to \$300.00 a year, but it would not help education. We might close our liquor stores, but if we did close our liquor stores we would lose one and a quarter million dollars of revenue. That would not help education in the province at all. I do not think it was a fair comparison. I do not think it lends anything to a fair discussion of this problem. Then, in connection with the last paragraph on page 3, having to do with the utilization of the education tax fund, I just wanted to point out to Mr. Little that we have paid grants to school districts amounting to \$1,250,000; whereas we have received from the educational tax \$360,000.

We have also advanced on account of this current year's grants \$137,000. Then, I should like to refer to the suggestion at the top of page 4. I should like to draw Mr. Little's attention to the fact we said we thought we should get out of the field of taxation of public revenue, or use it as an equalization fund for education, or to equalize some other municipal services. That is left open.

I presume that is all, Mr. Chairman, you wish to do today.

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THE CHAIRMAN: Yes. It is now 4.30 o'clock. We shall adjourn now and resume at 10.30 in the morning.

MR. ST. LAURENT: The brief presented by Mr. Little will be filed as Exhibit 61.

EXHIBIT NO. 61: Brief submitted by Mr. Little on behalf of the Saskatchewan School Trustees Association.

HON. MR. DAVIS: In the morning perhaps we may go on with the teachers' federation.

The Commission adjourned at 4.30 p.m., until 10.30 a.m., Wednesday, December 15, 1937.

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